Belgian nightmare
Top French executive's daytrip ends in jail
Special report, Page 4

Fox leads the pack
Rupert Murdoch shakes up US television
Page 21

Canada
All eyes turn to Quebec
Survey, Pages 14-17

Start the week
Management, media futures and more
Pages 8-13

FINANCIAL TIMES

Europe's Business Newspaper | MONDAY JUNE 6 1994 | D8523A

INVASION EFFECT ON MARKETS

EUROPEAN BONDS & FRENCH RAILS SPURT

INDUSTRIALS IMPROVE AFTER CAUTIOUS OPENING

With interest centred on the invasion rather than investments the Stock Markets were inclined to be hesitant at the opening of business yesterday, and the volume

The way we were: how the FT covered D-Day. Page 2

Astra satellite group plans £1bn European float

Société Européenne des Satellites, the Luxembourg company behind the Astra satellite television system, is planning a flotation expected to value it at more than £1bn ($1.5bn). The company, which already broadcasts 50 television channels over Europe, would be floated on the London Stock Exchange and a number of other European exchanges, probably before the end of next year. Page 23

Saatchi releases New York managers: Saatchi & Saatchi Advertising, the US arm of Britain's Saatchi & Saatchi advertising group, is parting company with its most senior managers as part of a shake-up to bring the struggling New York operation back to life. Page 25

Horn set to be Hungary's PM: Gyula Horn, a long-time Communist party functionary and now leader of Hungary's Socialist party, is poised to become the country's next prime minister. Page 22

UK probe into market-making: Britain's director-general of fair trading, Sir Bryan Carsberg, launched an inquiry into the practice of market-making on the London Stock Exchange, under which stockbroking firms buy and sell shares in publicly quoted companies, Page 7

W H Smith wins US contract: Retailing and distribution group W H Smith has won a contract to operate eight news and gift shops at Los Angeles International, the world's fourth largest airport. Page 24

Health reforms hit drug sales: Healthcare reforms in France and Italy depressed pharmaceuticals sales in the first quarter of 1994, according to figures published at the weekend. Page 3

Mercedes-Benz expands in Asia: German commercial vehicle builder Mercedes-Benz has started production of light-duty trucks and buses in Indonesia aimed at weakening the Japanese stranglehold on Asian markets. Page 25

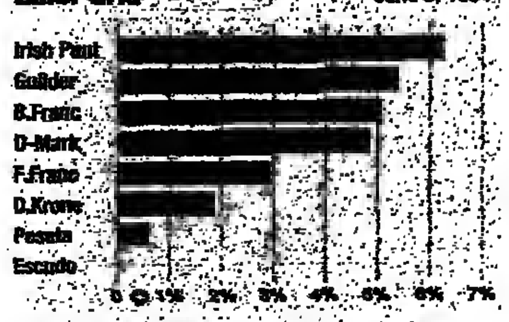
Call for more training: The US and other western industrial nations could achieve higher levels of employment by training more people to develop problem-solving skills, US labour secretary Robert Reich said. Page 5

Russian debt rescheduled: Western governments, continuing efforts to support Russian economic reforms, agreed to reschedule $7bn in debt owed by Russia in 1994. Page 3

Taiwan examines pollution claims: Taiwan is investigating allegations that France's Thomson Consumer Electronics and US-based RCA dumped organic wastes near factory sites in the country, polluting soil and groundwater. Page 6

European Monetary System: The order of currencies in the EMS grid is unchanged. The Danish krone weakened slightly, as foreigners sold bonds, while the French franc continued its recent recovery. European elections this week could cause fluctuations in the grid: Currencies, Page 35

EMS: Grid June 3, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Spain writes off nuclear power stations: Spain has written off five partly-built nuclear power stations, whose construction was frozen 10 years ago, at a cost of Pta730bn ($5.3bn). Page 3

Bruguera retains title: Sergi Bruguera retained his French Open tennis title, beating fellow Spaniard Alberto Berasategui 6-3, 7-5, 2-6, 6-1. Second seed Arantxa Sanchez Vicario of Spain beat Mary Pierce of France 6-4, 6-4 in the women's final.

Massimo Troisi dies: Massimo Troisi, one of the most popular figures in Italian cinema, died of heart failure, aged 41. He was renowned for the black humour of his work and had just finished shooting *Il Postino* (The Postman), directed by Englishman Michael Radford.

Bundesbank president says progress towards union must not be set by 'slowest ship'

Tietmeyer warning on EU expansion

By David Waller in Frankfurt and Philip Gawith in London

The European Union could disintegrate if it takes in new members before deepening monetary and political ties among the existing 12 members, according to Mr Hans Tietmeyer, the Bundesbank president.

Mr Tietmeyer, picking up the theme of a multi-track, multi-speed Europe, warns today in the German newspaper Handelsblatt that the Union will fall apart if progress towards monetary and political union is orianted towards the "slowest ship".

Mr Tietmeyer said it was unlikely a majority of EU countries would fulfil the criteria laid down in the Maastricht treaty by 1997.

"But stability is more important than the timetable," he insisted, saying that whether the union took effect in 1997 or 2000 was not the decisive factor.

His hard-hitting ramarks amplify the Bundesbank's view that monetary union is appropriate only for a core group of countries which fulfil the anti-inflation criteria set out in the Maastricht treaty.

His remarks also lend support to Chancellor Helmut Kohl of Germany who also favours a core group of countries pressing ahead with further integration.

"A monetary union represents a long-term community of solidarity and risk, which requires a corresponding long-term political union," he said.

Mr Eddie George, governor of the Bank of England, echoed Mr Tietmeyer's viaw that convergence was a priority. In a London speech at the weekend he said thet an early move to a single currency would be a mistake.

"However appealing the vision of a single currency may be . . . the absolutely essential prior economic condition is to establish snstainabla convergence, based on an underlying stability in the participating member states," Mr George said. "I believe that we have a long way to go before that necessary pre-condition will be met," the governor said.

The remarks of the two central bankers comes after a sustained period of exchange rate stability within the European Monetary System, following tha substantial widening of the fluctuation margins last August.

Mr Tietmeyer did not specify when he thought monetary union could be achieved, nor did he indicate which countries might be able to move more quickly to the first stage of monetary union.

However, it is the Benelux countries and Germany and France that have achieved most, so far, in co-ordinating interest rate policy and estahlishing exchange rate stability, although only Luxembourg fully meets the tough convergence criteria.

Mr Tietmeyer's remarks represent an implicit rehuke to those who believe the union can simply take in new applicants without first deepening integration among the 12.

The European Union had to to become deeper at the same time as it became broader, Mr Tietmeyer said.

Delors faces fight on EU bonds, Page 22

UK backs off Dehaene veto

The UK government is refusing to threaten its national veto against the candidacy of Mr Jean-Luc Dehaene, the Belgian prime minister for the European Commission presideocy, writes Philip Stephens in London. The move comes amid acknowledgement in Whitehall that the UK may have to accept Mr Dehaene's appointment, although the risk of a backlash on the Conservative backbenches could force Mr John Major, prime minister, to ensure that a decision on the post is delayed. Page 7

Just like Ike: A statue of former allied field commander General Dwight Eisenhower, unveiled yesterday in Bayeux, Normandy, watches over the crowd commemorating the 50th anniversary of D-Day Picture: AP

US may seek N Korea sanctions outside of UN

By Nancy Dunne in Washington and Tony Walker in Beijing

The US said yesterday it might seek to organise international trade sanctions against North Korea over its suspected nuclear weapons programme even if such action failed to win United Nations backing.

Mr William Perry, US defence secretary, also confirmed the US had built up its troops in South Korea although he said there was "no immediate danger of military confrontation".

He said on US television: "We are not seeking and we will not provoke a war, but, at the same time, we will not invite a war by not being ready. We have a commitment to defend South Korea; we are prepared to defend South Korea, and we are capable of defending South Korea."

Mr Perry said Washington would consult its European allies this week over proposals to impose trade and economic sanctions against Pyongyang over its failure to co-operate with International Atomic Energy Agency inspectors.

Mr Perry said, however, that if sanctions were blocked in the UN, it was "entirely possible" the US would seek formation of an allied coalition to proceed with sanctions.

President Bill Clinton has already begun to consult Russian president Boris Yeltsin. Senior US officials believe Russia would not block sanctions, and that there is even a possibility thet China, North Korea's sole ally and main source of oil, might co-operate.

China has given no public indication thet it is becoming exercised over the crisis. Last week, a Chinese foreign ministry spokesman said: "At this time, we do not favour the resort to means that might sharpen the confrontation."

US, Japanese and South Korean officials agreed in Washington that sanctions were an appropriate response to Pyongyang's refusal to co-operate. The US said last week it would begin consultations in the Security Council on "timing, objectives and substance of a sanctions resolution in the near future".

The talks between US, Japanese and South Korean officials concluded that North Korea's most recent refusal to allow IAEA inspectors to examine fully a nuclear reactor confirmed suspicions that North Korea was developing nuclear weapons.

The three issued a statement saying that "the situation demands that the international community, through the UN Security Council, urgently consider an appropriate response, including sanctions".

The US had been building its forces up in South Korea over the past six months, and they were now "adequate" for its defence, Mr Perry said. However, if the situation were to become "more dangerous" – if North Korea were to move more troops to the border – the US would take "further action".

The possibility that North Korea is developing a hallistic missile which could project atomic weapons as far as Japan adds to the concern of an arms race in Asia.

Mr Perry said sanctions against North Korea would have two purposes: to "establish the integrity of the International Atomic Energy Agency" by setting an example for other would-be rogue members, and to force North Korea to end its nuclear development programme.

At the weekend, while much of the Chinese press ignored the issue, Ta Kung Pao, a Beijing-controlled newspaper in Hong Kong, gave what was possibly the first hint of a sterner position. It warned that North Korea would not be able to withstand sanctions if they were imposed by China, the US, and Japan.

Seoul on hook of unattractive options ....Page 6
Editorial Comment......Page 21

China plans ways to bridge 57km sea channel

By Tony Walker and Shi Junbao in Beijing

China plans to build what would be the world's longest sea-crossing project – a chain of bridges and a tunnel, linking the Shandong and Liandong peninsulas in the north-east of the country.

Feasibility studies, expected to take several years, have already started on the Yn60bn ($6.9bn) project to bridge the 57km Bohai channel, said an official in the Liaoning government.

Work is unlikely to begin before early in the next century and the project would take about 10 years. Meanwhile, Liaoning and Shandong are planning a Yn1.3bn train ferry linking the two provinces. This would run between Dalian, the main port in Liaoning, and Yantai in Shandong. Both are important ports and railheads connected with China'a interior.

The ferry is expected to be operational by 1998, and would be capable of handling 10m tonnes of freight a year. Capacity would double by 2005.

The plans to bridge the Bohai channel and improve transport between Liaoning and Shandong, two of China's most important provinces, reflect a new drive to boost economic development in the north-east.

The official China Business Weekly reported last month that efforts were under way to improve the economic integration of the Bohai rim which encompasses 680,000 sq km and includes the provinces of Shandong, Shanxi, Hebei and Liaon-

Continued on Page 22

Europe's soap war gets even dirtier as rivals trade claims

By Bronwen Maddox in London and Ronald van de Krol in Amsterdam

Blue and red striped boxer shorts yesterday hecame the latest weapon in the fierce hattle between the world's soap giants.

Procter & Gamble, the US manufacturer, claimed that one pair of underpants, faded and shredded to the point of indecency, had disintegrated during repeated washing in the new soap powder launched by its bitter rival Unilever, the Anglo-Dutch consumer goods group.

According to P&G, tests by research institutes show that clothes are damaged by washing in Unilever's Persil Power.

P&G yesterday circulated some of the institutes' reports and distributed colour photographs contrasting the tattered state of clothes washed in its rival's powder with the pristine, crisp state of those washed in its own.

P&G later admitted the photographs were not from the research institutes but from its own tests. "There was no intention to mislead in supplying the photos together with the institutes' reports," it said last night.

Unilever rejected P&G's claims. It said its own tests, carried out at one of the research institutes quoted by P&G, had showed no damage.

On Friday, Unilever dropped a Dutch court case against P&G for making "untruthful and misleading statements" about the properties of its new detergent, which is sold as Omo Power in continental markets. Unilever acknowledged its new generation washing powder could damage clothing under "extreme laboratory conditions".

P&G also claimed yesterday that clothes washed in Persil Power might continue to fray even if consumers switched to a different soap hrand, because manganese residues from the powder, included to aid washing, had huilt up on the fabric and remained "active".

Yesterday in Rotterdam, Unilever said: "In the huge number of articles of clothing washed in field trials there was no systematic build-up of manganese residue. Moreover, even if there is manganese left on the clothing, it does not later become reactivated." Independent institutes in France, Germany the Netherlands and the UK had confirmed these results, it said.

P&G's claims are hased on reports from six European research institutes.

According to P&G, the institutes, which tested clothes under normal household conditions and followed the clothing manufacturers' instructions, all reached "similar conclusions". It quoted the British Textile Technology Group, based in Manchester, as concluding that "Persil Power results in fabric damage which would be unacceptable to a consumer". The EMPA Institute for Material Testing and Research in Switzerland found "strong to very strong weakening of the cotton fibres" after up to 25 washes in Persil Power, P&G said.

Mr Andrew Seth, chief executive of Lever Brothers UK, said yesterday: "It is always possible in laboratories to choose test conditions which will give you the results that you plan to get."

"I am not saying that [P&G's] data is inaccurate, just that it's irrelevant," he said. In separate tests conducted by BTTG, Unilever had been assured that "after repeated washing . . . no physical damage was visible".

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	Sk50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.00	Norway	NKr17.00	Spain	Pta225
Denmark	DKr15	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pes55	Syria	S£50.00
France	FFr8.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

THE FINANCIAL TIMES, 7th June, 1944

The Financial Times
CITY EDITION
LARGEST CIRCULATION OF ANY FINANCIAL JOURNAL IN THE EMPIRE
No. 17,217 LONDON, Wednesday, 7th June, 1944 Twopence

INVASION EFFECT ON MARKETS

EUROPEAN BONDS & FRENCH RAILS SPURT

INDUSTRIALS IMPROVE AFTER CAUTIOUS OPENING

With interest centred on the invasion rather than investments the Stock Markets were inclined to be hesitant at the opening of business yesterday and the volume of orders was considerably smaller. Dealers were cautious, but as the news came through that progress was satisfactory prices hardened and the tone became normally calm.

British Funds were firm and unchanged but other markets soon regained confidence and went still further ahead. Industrial shares, however, were more subdued but later came into quiet demand at slightly improving prices, particularly the popular Steel issues.

The most prominent features were provided by Foreign Government bonds and French Railw[illegible]es, the former recording rises in Austrian, Hungarian, Polish, French and German securities ranging to as high as three points on the day, while in the latter instance French Midi, Nord and Orleans Railway bonds gained as much as six points.

Movements in Foreign bonds showed Austrian Four and a-Half per Cents. another ½ higher at 60½. Hungarian Four and a-Half per Cents. and Poland (1927) Four and a-Half per Cents. both up ½ at 16 and 30½ respectively. French Four per Cent. (British) were a point better at 9 and Seine Fours added a further 3 points at 62 to the previous day's rise of 2 points.

German securities were also actively bid for, the Fives and Four and a-Half per Cents. marking up ½ at 8½ and 6½ respectively, Potash Sevens moving up ½ at 33, and the Six and a-Half per Cents. gaining two points to 33.

FRENCH RAILS WANTED

Sharp Gains

Among Foreign Rails, French issues showed Nord Six per Cent. Sterling bonds 4 points higher at 74, Orleans Four per Cent. Sterling bonds 6 points up at 61 and Midi Four per Cent. Sterling bonds also 6 points higher at [illegible]

INDUSTRIALS RALLY

Early Weakness

WALL STREET REBOUND

Cotton Up at Bombay

Editorial comment Page 2 Col. 1

GREAT N. AND S. STORES

"GREY MARKET" DEALINGS

STATEMENT EXPECTED

Although the letter which the Bank of England has sent out in connection with the "grey market" share dealings is marked "confidential," it is understood that when the "gentlemen's agreement" aimed at is to be brought into operation a formal announcement will be forthcoming from the authorities.

The London Stock Exchange has for a long time observed a "gentlemen's agreement" that it will not grant permission to deal in shares without the prior approval of the Treasury. But no other body has entered into such an agreement and the Treasury, through the Bank of England, is endeavouring to bring under control all share transactions outside the London Stock Exchange ("grey market" dealings). In some cases Provincial Stock Exchanges, not being bound by any agreement or [illegible]

B.O.T. INQUIRY SOUGHT FOR IMPREGNATORS

MINISTER CONSIDERING

OFFER FOR SCOTTISH FARMERS CORPN.

20s FOR EACH £1 SHARE

"SHELL" FINAL AGAIN 2½ PER CENT. NET

RISE OF NEARLY 3% IN EARNINGS

The directors of the "Shell" Transport and Trading Company announce a second interim dividend of 6d per £1 unit, free of income-tax (same), on the Ordinary stock on account of 1943, payable 12th July. They will recommend at the annual meeting that this be made the final dividend.

This with the 2½ per cent. interim paid 8th February makes 5 per cent., tax free, the same as for each of the three preceding years.

The net profit for the year to 31st December last is stated to be £2,373,301—an increase on 1942 of £66,192 (=2.88 per cent.).

Issued capital stock is £40,945,633, of which £28,945,633 is Ordinary in £1 shares, quoted at 4[illegible]. The dividend news came after market hours, so that the quotation was not affected.

Mr. George Legh-Jones has been appointed a managing director of the company.

ROLLS-ROYCE PAYS 20% AGAIN

EARNS £42,031 LESS

The Board of Rolls-Royce has decided to recommend a first and final dividend of 20 per cent. (4s per £1 of stock), less tax, for the year ended 31st December, the same as for each of the three preceding years.

Net profit for 1943, after providing for excess profits tax, is announced as £514,384 (£556,415), a decrease of £42,031.

The issued capital of this car and aero engine-making business is [illegible]

DROP IN THE WEEK'S REVENUE

TOTAL OF £29,015,617

ASHANTI GOLDFIELDS FIRE

OUTPUT REDUCED TEMPORARILY

WHISKY DISTILLING

NEWS SUMMARY

"Financial Times" Stock Indices

Company Meetings in this issue

GOLDEN HORSE SHOE
IMPERIAL CHEMICAL
INDIA AND GENERAL TRUST
VIDDLE WITWATERSRAND
SOUTH AFRICAN TOWNSHIPS

An Investor's Note Book

UNDERLYING STRENGTH

ANCHOR LINES—ANSELLS

Stock Markets gave yesterday a fresh demonstration of their underlying strength. And as the hours passed the more members' spirits rose. At the opening jobbers quoted prices wider and anyway nominally lower. But if they had seriously thought that much stock would come in to refill their depleted books their hopes were doomed to disappointment. All day—and increasingly so in the afternoon—it was, so everybody reported, a case of more would-be buyers than sellers. One attaché to a firm of brokers told me that of 30 orders he executed for clients 26 were purchases.

With the Second Front monopolising the forefront of all our minds, normal business was naturally relegated to the background. The real testing time for markets will come when peace becomes practical politics. Then demand for industrial equities will doubtless be a good deal more selective than of late and gilt-edged stocks may tend to sag and carry other fixed-interest securities down with them to anyhow a temporary lower level.

Anchor Lines

Anchor Lines furnished the leading instance of the resilience of even the most prominent of recent speculative favourites. On some cautionary remarks as to the shipping outlook by an Elder Dempster director, Anchors were quoted early at the wide price of 49s-51s.

Ansells Brewery

Cerebos

RECKITT AND SONS

ELECTRIC AND GENERAL INVESTMENT

U.K. COMMODITY INDEX

TONE COMMENDABLY CALM ON WAR NEWS

FRENCH RAILS ROCKET

Contango Day ...... 19th June
Account Day ...... 8th June 22nd June

TUESDAY Evening.

The Stock Exchange took the news of the long-expected invasion of the Continent with commendable calmness. Dealers were inclined at the opening to take precautionary measures by shading quotations down here and there, but as the investing public proved equally phlegmatic there was no selling panic or pressure whatever and the fractional recessions were soon restored.

Gilt-edged remained firmly at their overnight figure, but naturally the volume of business showed a decrease in view of the diversion of interest from investments to invasion; Corporation stocks were fairly busy, marking ¼ to ½ higher. The underlying strength of the market was shown by the paucity of sellers in spite of the high and attractive levels to which prices have risen.

Home Rails were understandably quiet with the monopolising of the lines for military purposes instead of more remunerative traffic, but even here the falls were fractional, being no more than ½ lower at the most. Strangely enough Foreign Rails were busy and better, Argentines having quite a good day, while French Rails were again a prominent feature, some issues putting on as much as 6 points, which, added to previous rises, makes them more than ten points up in so many days.

The total markings were lower at 6,318, which compares with 7,627 for Tuesday of last week and 8,292 yesterday. THE FINANCIAL TIMES stock indices showed Government Securities [illegible]

[illegible] particularly active a firm undertone was maintained in this group. B.S.A. sustained interest and marked up to 27s 10½d. Colvilles were good and 4½d up at 25s 10½d with bargains up to 26s 1½d. Swan Hunters put on 6d at 40s 6d and John Brown hardened anew to 29s 3d. Cannon Iron Foundries improved to 18s 3d and Thos. W. Ward attracted up to 36s 6d, while British Steel Constructions made 12s and Brightside Foundry 34s. Howard and Bullough fell back 9d to 21s 6d. In COAL, Tredegar issues were 3d harder following the dividends. Amalgamated Anthracite Preference were favoured up to 8s 4½d.

Buying interest was inclined to dry up in TEXTILES and prices yielded slightly to occasional sales. Falls of 6d were shown in Patons and Baldwins at 79s and in Sewing Cottons at 31s 6d. On the other hand, Lancashire Cottons were absorbed in a small way at 35s 3d. Coats up to 48s 9d and Fine Spinners up to 25s. Wolsey were firmer at 19s. Salts (Saltaire) were rather buyers at 9s 6d, while the Preferred marked 20s 4½d. Ben Hall made 12s 7½d and Hield Bros. 4s. RAYONS as a group were undecided. Both Courtaulds and British Celanese ended 3d easier.

Little animation was shown among STORE and FURNISHING shares, where Grattan Warehouses were in good demand and rose 9d to 21s 3d. Great Universals were favoured around 22s 10½d. Debenhams continued to be bought at 6s 7½d and upwards and Thos. Wallis put on 4½d further at 9s 4½d. Maples were absorbed freely up to 27s 10½d and Waring and Gillow were done at 11s 7½d.

After their late rise, Distillers were 3d off at 97s 3d. Seager Evans reacted 1s to 49s 3d. On the whole, business was quieter among BREWERIES [illegible]

EUROPEANS UP AGAIN

RUBBERS GOOD

OIL LEADERS FIRM

RALLIES IN SHIPPING

Late Gains in Radio Group

Induce Profit-taking

A. AND E. STRONG

Round the Markets

COLMAN AND RECKITTS

AMALGAMATED TIN

The feeling round the Stock Exchange upon receipt of the news that the invasion of the Continent had started was one of relief mingled with quiet confidence. There was no trace of excitement. Prices, except those of shares in which there has been built up a speculative position, remained firm.

Cheerful Confidence

The One o'clock broadcast was received by the House in a silence profoundly impressive. Many more men than usual stayed in the Stock Exchange to hear the news.

After the news and lunch, prices started to harden in those markets where previously there had been a little selling on behalf of timorous holders. The Prime Minister spoke in good heart, encouraging the confidence with which the outlook is regarded. And the House took it as a real bull point that Hitler has assumed command of his army.

J. and J. Colman

J. and J. Colman shares were among those which rose superior to the general conditions, and left off with a rise on the day. This was due, of course, to the increase in the dividend, making 17 per cent. for 1943, compared with 16 per cent for the previous year, as announced in THE FINANCIAL TIMES yesterday morning. The price is now 83s 6d, and, if it should be marked ex dividend next Monday, it will probably remain, unless there should be a change in the meantime, at 83s 6d [illegible]

Reckitts

Amalgamated Tin

Antelgams

ARGENTINA CONVERTING INTERNAL LOANS

MASON AND BARRY

Russia W
debt resc

Agreement on $7bn will help reforms

Russia wins deal on debt rescheduling

By Leyla Boulton in Moscow

Western governments, continuing efforts to support Russian economic reforms, agreed at the weekend to reschedule $7bn in debt owed by Russia in 1994.

Tha deal reached in Paris reschedules over 15 years with three years' grace debts towards the Paris Club of creditor governments, which are owed more than half of Russia's $80bn foreign debt.

Russia urgently needs to reschedule its foreign debt to get round the burden of loans of which a significant proportion fall due around this year. The International Monetary Fund has calculated that Russia, which has overestimated its trade surplus for this year, has to plug a $25bn gap in its balance of paymants this year, compared to a gap of $15bn last year.

This year's obligations include $14.5bn owed in principal payments, plus $6hn in interest – a burden partly alleviated hy this weekend's rescheduling agreement.

Mr Sergei Dubinin, the acting Russian finance minister who negotiated this weekend's agreement, told reporters in Paris he expected "fairly difficult negotiationa on the rescheduling of all our debts on a long-term hasis" this autumn.

Western governments and multilateral organisations such as the IMF are expected to hring new funds to Russia this year. But a rescheduling agreement with western commercial banks, which are owed another $26bn, continues to elude Russia for the second year in a row because of Russia's insistence that banks should not be able to seize state-owned assets if it defaults on repayment.

Until a proper rescheduling deal can be reached, the banks have routinely rolled over overy three months payments owed by Russia.

A third category of creditors, traders who have not been paid for goods supplied, have been left to fend for themselves to squeezo whatever paymants they can out of the Russian government.

Whila the governments say they do not want to write off Russian debts in order to preserve its ability to borrow new credits in the future, the banks are simply waiting for Russia to come round to their point of view, confident it will need western hank finance in future.

Russia has allocated $4.1hn for debt servicing this year.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 1a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363 Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd,London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Pledge on German immigration laws

By Judy Dempsey in Berlin

Germany's Free Democratic party will seek to introduce an immigration law if Chancellor Helmut Kohl's governing coalition is returned to power after the federal election in October. Germany is one of the few countries in the European Union which has no immigration legislation.

During its three-day congress in the northern city of Rostock which ended yesterday, the FDP also agreed in principle to reform Germany's outdated 1913 citizenship laws, and give foreigners easiar access to voting in local government elections.

Under current legislation, a child is granted automatic citizenship if one of its parents is German. This excludes over 6.5m foreigners living in the country.

The need to reform Germany's outdated laws received a boost after Ms Cornelia Schmalz-Jacobsen, head of the Federal Office for the Problems of Foreigners, was elected by the congress to the FPD presidium, the top echelon in the party'a organisation.

"It is high time we introdnced change," said Ms Schmalz-Jacobsen, who has campaigned for a reform of the law and dual citizenship. "How can we integrate foreigners if we do not give them rights? Germany, in any case, is de facto a country of immigration. It is time we faced up to it." The Bundestag, or lower house, last month threw out a bill allowing dual nationality. Mr Kohl's CDU and even some FPD deputies opposed it.

Although the FDP had voted at the weekend to continue to support the CDU-led coalition, in which it is the junior partner, it agreed to oppose any attempts hy the government to extend security surveillance by bugging private homes. It also voted to scrap a law requiring registered churchgoers to pay tax. Church membership has sharply fallen among east Germans since unification because the tax levy is deemed excessive.

Health reforms hit drug sales

By Daniel Green in London

Healthcare reforms in France and Italy depressed pharmaceuticals sales in the first quarter of 1994, according to figures published at the weekend.

France introduced guidelines at the start of the year to reduce over-prescribing habits; doctors were asked to prescribe only drugs appropriate to a given medical condition. Sales in France in the first quarter of 1994 were worth $2.9bn (£1.9bn), compared with $3.2bn in the first quarter of 1993. The decline was 4 per cent, taking into account currency fluctuations, IMS International, the London-based market research company, reported.

Italian reforms significantly affected sales, which fell 11 per cent in constant currency terms to $1.8bn. Italy has introduced limited lists of drugs for which the state medical system would pay in the treatment of patients.

By contrast, sales in Germany, Europe's biggast market, recovered 6 per cent against a year earlier to $3.1bn. However, the improvement was partly due to the low level of last year's figures for the first quarter, when new healthcare reforms penalised doctors for over-prescribing.

Sales in the UK, where reforms have been relatively modest, grew by 8 per cent, faster than any other large country. Nevertheless, UK doctors remained relatively low prescribers, and sales of $1.3bn were less per head of population than Spain.

The US, where sweeping healthcare legislation is still being discussed, saw drugs sales rise 6 per cent to $12.2bn. Sales in Canada, which has a thriving generics (cheaper unbranded drugs) industry, rose 1 per cent to $822m.

Sales in Japan, where the government has pushed through drug price cuts, fell 6 per cent to $4.6bn.

By therapeutic area, cardiovascular drugs, including many treatments for heart conditions, remain the biggest single area, with sales 5 per cent higher than in the first quarter of 1993.

But the next biggest category, digestive tract drugs including the world'a biggest seller, Glaxo's Zantac, was one of the fastest growing; sales rose 7 per cent.

Madrid unwilling to help if it means distorting competition

Spain to discuss Seat aid with VW

By David White in Madrid

The Spanish government faces tough new talks this week with the management of Volkswagen over the scope of state aid for the German group's loss-making Seat subsidiary.

The Industry Ministry said it was prepared to provide investment backing but not to make a special case of Seat hy subsidising restructuring costs in a way that would distort competition in the car market.

VW is seeking aid of DM820m ($491m) from Spanish central and regional authorities to cover compensation for early retirement by 4,600 Seat workers, reducing the workforce to about 9,500.


González (left) and Kohl: meeting today in Schwerin

The issue is expected to surfoce in a two-day meeting starting today in Schwerin between Chancellor Helmut Kohl and Mr Felipe González, Spanish primo minister.

Promises of assistance for Seat provoked sharp reactions last week from other multinational motor groups which manufacture in Spain, including Ford and General Motors.

"You cannot help ona without helping all," said Mr Arnand da David-Beauregard, managing director of Citroën Hispania, part of the French PSA group. Mr Juan Antonio Moral, chairman of the Renault subsidiary FASA-Renault, said aid for joh reductions ot Seat was "not acceptablo".

However, Mr Juan Llorens, Seat chairman, said the company was not comparahle to others since it had its own models and technical centre.

The ministry said it was prepared to support new investments at Seat based on the same criteria as other motor companies. The cutting of 9,000 jobs at Seat announced last year would already result in a cost to the Spanish taxpayer of Pta30hn ($218m), it said.

This was in addition to an estimated Pta400hn spent on restructuring the formerly state-controlled company in readiness for sale to VW in a phased operation that began in 1986.

Germany-Sweden defence link-up

By Michael Lindemann in Bonn

Germany and Sweden will today agree to work together on future defence projects, a step expected to clear the way for a tank deal worth at least DM1.2bn ($718m).

The agreement comes just as Sweden is nearing the end of talks to buy 120 Leopard II tanks and Germany is understood to have made the deal more attractive with offers to include Swedish companies in future defence projects.

Mr Volker Rühe, the German defence minister, and his Swedish counterpart, Mr Anders Björck, will sign an agreement outlining future co-operation in the development of unspecified defence-related projects.

While about 75 per cent of Germany's arms huilding programmes are already undertaken in co-operation with several Nato allias, the closer links with Sweden are the first such initiative with a non-Nato member.

As part of a programme to re-equip its mechanised hrigades the Swedish army will buy 120 Leopard IIs from Krauss Maffei, the Munich-based company, in a deal worth about DM1.2bn. Another 80 tanks are likely to be bought later, an official said.

To complete the overhaul tha Swedes are considering leasing another 160 used Leopard IIs which Germany needs to take ont of service. An official said the deal was likely to be completed this year hut could give no further details.

The Swedes preferred the Leopard II to the US-made M1 Abrams and the French Leclerc and will become the third army to use it as its main battle tank, after Germany and the Netherlands.

Spain writes off N-power stations

By Tom Burns in Madrid

Spain has finally written off five partly-built nuclear power stations, whose construction was frozen 10 years ago, at a cost of Pta730hn ($5.3hn), nnder a new law aimed at reorganising the domestic electricity sector.

Tho legislative initiative, which was approved hy the government at the weekend and will now be debated hy parliament, adjusts Spain's electricity industry to meet Brnssels' competitiveness guidelines. In line with similar norms in other EU states, it breaks np tho powerful domestic ntilities, which both generate and market electricity, into separate production and distrihntion units.

Ono of tho controvorsial aspects of the new law concerns the phasing out of the nnclear power sector, which currently represents some 35 per cent of all domestically produced energy and which had attracted large investments on the part of all the main domestic ntilities 25 years ago.

The nuclear huild-up, modelled on that in France, was stopped in 1984 when the Socialist government, meeting a groundswell of opposition to such energy, ordered a moratorium on all new reactors. The shortfall engondored by the freeze will to a great extent he made np by natural gas and in particular hy a new pipeline linking Spain to the Algerian gas fields via Morocco, scheduled to be operational in 1996.

The Pta730bn deht hill accumulated hy the ntilities which own the nnfinished nnclear power stations is to be paid off by a charge that will be incorporated into the domestic tariff.

The government claimed that the charge, representing 3.54 per cent of the total electricity charge paid by consumers, would not involve any extra cost, as it has already been levied over the past 10 years that the moratorium has been in force.

NEWS: THE PINEAU-VALENCIENNE AFFAIR

Schneider chief's arrest spotlights business ties

David Buchan looks at Franco-Belgian two-way investment

Mr Didier Pineau-Valencienne's detention in a Brussels prison has developed into an affair of enormous media and business interest in France and Belgium. But it has not so far caused a major political row between the two governments.

Certainly, the Schneider chairman must have taken some satisfaction from having almost the entire French political and business establishment weigh in on his side.

On hearing of his arrest 10 days ago, Prime Minister Edouard Balladur rang his Belgian counterpart, Mr Jean-Luc Dehaene, while Mr Alain Juppé, France's foreign minister, telephoned his opposite number, Mr Willy Claes.

They got the same message in private that the Belgian press has been broadcasting in public: thet Belgian justice is independent of government. Since thet has not always been the case in France, it was perhaps a salutary reminder.

Having assured themselves that Mr Pineau-Valencienne is not being ill-treated – he is getting meals from the French embassy and wearing his own suits, rather than prison-wear – the French authorities are now helping Belgian justice to run its course.

Mr Jean-Claude Van Espen, the Belgian prosecuting magistrate investigating alleged Schneider irregularities in Belgium, got no answer to his first request on May 16 for judicial help from France.

But last week Mr Pierre Méhaignerie, France's justice minister, belatedly pledged full co-operation to establish the truth. Last Wednesday a French judge and policemen helped their Belgian counterparts start to question Schneider executives and look for documents at the group's Paris headquarters as well as at Mr Pineau-Valencienne's suburban home.

If the Schneider affair has gradually elicited more co-operation from France, in Belgium it has reawakened a certain animosity towards its large neighbour.

This is particularly prevalent in the field of business. Extending beyond traditional Belgian complaints about French high-handedness, there is irritation, particularly in the Flemish community, about the activities of slick "money men" from France.

In Paris last March Mr Luc Van den Brande, head of the Flemish regional government, invited French companies with interests in Belgium to "stop thinking about purely financial operations" and to start creating real jobs. His reprimand was exaggerated, because some French companies, such as Renault, have set up manufacturing plants in Belgium. But of 800 French-controlled subsidiaries in Belgium, employing 157,000 people, most resulted from takeovers in the financial sphere.

By far the biggest was the 1988 takeover of Société Générale de Belgique by the Suez financial group, which now controls 61 per cent of the giant Belgian holding company.

Some of the French financial investment – such as the controlling stake by EMC, a French holding group, in the Tessenderlo chemical company – is in industry. There is a link between the two countries' biggest companies. Elf-Aquitaine, the French oil group, owns 5 per cent of Petrofina, Belgium's leading company in this sector, but the main ties are in banking and insurance.

The French insurance groups Union des Assurances de Paris and Assurances Générales de France control Royale Belge and Assubel. The investment flow is by no means all one way. Belgian companies have some 350 subsidiaries in France, employing 37,000 people. They range from Solvay, the major Belgian chemical company, to the flourishing textile businesses of west Flanders that have expanded into northern France.

In tending to reinforce their presence in Belgium through financial takeovers of existing Belgian enterprises, rather than setting up greenfield operations there, French companies have tended to forget about that often-awkward customer – the minority shareholder.

"This may be because Belgian legislation to protect rights of minority shareholders is fairly recent, though very similar to what has existed for longer in France," says Mr Jean-Nicolas Caprasse of Deminor, a Brussels legal firm specialising in work for minority shareholders.

The new Belgian law gives people owning 1 per cent of a company's shares, or BFr50m (£980,000) of the company's capital, the right to start legal proceedings for an investigation into the company.

Deminor acted for minority shareholders in Wagons-Lits, the Belgian travel group, who felt they were unfairly treated when Accor, the French hotel group, took it over in 1991.

Belgium started to put legislation to protect minority shareholders into place only in 1989, after the Société Générale de Belgique saga, and completed the job in 1991.

For its part, the French business community has closed ranks in rallying to Mr Pineau-Valencienne's defence.

"Imagine that a policeman from a French village committed a certain offence and Mr [Charles] Pasqua [the interior minister] was arrested for five days while the affair was studied," said Mr Jean-René Fourtou, chairman of Rhône Poulenc, the chemicals and pharmaceuticals group, expressing a common reaction.

The Belgian affair has underlined French companies' particular sensitivities about allegations of malpractice, following revelations of a series of examples of corruption in the last two or three years, including those of companies involved in illicit political financing.

Mr Thierry Jean-Pierre, a crusading French magistrate who is running in the European Parliament elections, has just published a 40-page booklet alleging widespread corruption in French political and business life.

Mr Jean-Pierre has stopped short of giving specific details into his allegations of corruption in areas ranging from party financing and export commissions to football and motor racing.

But there is a growing nervousness in France that he, or someone else, may soon provide them.

See leader page

Pineau-Valencienne: a businessman's nightmare

By John Ridding in Paris and Emma Tucker in Brussels

Mr Didier Pineau-Valencienne is living a businessman's nightmare. Since he travelled, voluntarily, to Brussels on May 26 to make a statement concerning an investigation into two Belgian subsidiaries of his electrical engineering group, the Schneider chairman has been locked up in the city's ageing Forest prison, under investigation for alleged fraud and embezzlement.

"It is a cautionary tale of the risks for managers of multinational groups," says a French industrialist. "Many businessmen are wondering to whet extent they are responsible for every part of their company's operations. Many are watching this case very carefully."

The nature of the problems encountered by Schneider in Belgium extends well beyond the question of senior management's liability for operations in different countries.

A long and contorted affair links Schneider's headquarters in the smart 16th *arrondissement* of Paris and a prison known locally as the "black hole of Brussels." A landmark came in November 1992 when Schneider launched an offer to buy out minority shareholders in Cofibel and Cofimines, two Belgian financial subsidiaries.

Minority shareholders protested against the terms of the offer, which was launched at BFr2,525 per share for Cofibel and BFr1,265 for Cofimines. They claimed that the bid undervalued their investments and that Schneider manipulated sales of shares to benefit its own balance sheet.

Mr André de Barsy, one of the rebel investors, said last week he had collected files of information incriminating Schneider's management iu the conduct of the offer.

In support of their claim, the disgruntled minority shareholders filed a suit in Brussels to secure a higher bid price. After protracted and bitter negotiations, Schneider raised its offer to BFr3,400 per share for Cofibel and BFr1,475 per share for Cofimines. The improved terms cleared the way for an accord with minority shareholders at the beginning of this year.

The original complaint, however, had set Belgium's legal wheels into motion. Mr Jean-Claude Van Espen, a well known prosecuting magistrate, with a history of handling financial fraud cases, had launched an investigation in October 1993. The probe continued after the resolution of the dispute with minority shareholders and is the reason why Mr Pineau-Valencienne stayed behind bars at the weekend.

Following the agreement with minority shareholders, Mr Pineau-Valencienne was confident the case could be brought quickly to a close. "He had appointments in his diary for Friday," said one colleague, referring to the day after the Schneider chairman's visit to Brussels last month.

Instead, he was held without charge, under investigation for fraud, benefiting from fraud, embezzlement and falsification of accounts. He was detained for the five days of preventive detention allowed under Belgian law. Last Wednesday, a Brussels' court confirmed the nature of the investigation and ordered the Schneider chairman to remain in prison for a period of up to one month.

Since Wednesday's hearing, the thrust of the inquiry into Schneider and Mr Pineau-Valancienne has become clearer. After the ruling to extend the Schneider chairman's detention, the prosecution issued a statement alleging "illicit manoenvres" through which the company received more than BFr3bn at the expense of its Belgian subsidiaries between 1988 and 1992.

According to the prosecutors, Schneider had concealed offshore companies and assets worth about BFr4.8bn from regulators and shareholders in Cofimines and Cofibel. Dividends totalling BFr1.8bn from the offshore companies registered in Panama and Bermuda were not distributed to all shareholders in the subsidiaries, the prosecutors believe.

The investigation is also focusing on the dealings of PB Finance, a Belgian shell company in which Cofibel held a minority stake of 25 per cent before selling out earlier this year. The company was controlled by Mr Valentino Foti, an Italian businessmen, who represented Fimo, a Swiss Italian company. Mr Foti, arrested as part of the same investigation, served as a director on the board of Schneider's Belgian subsidiaries during the period before the offer to minority shareholders.

Schneider denies the accusations of the Belgian prosecutors and says it "deplores" the actions taken against its chairman. It claims it never harmed interests of minority shareholders and that Mr Pineau-Valencienne, although nominally chairman of Cofibel and Cofimines, was not actively involved in their management.

This task fell instead to Mr Jean Verdoot, who was managing director of the subsidiaries until his death last year.

Schneider says its ties to the group of offshore companies at the centre of the investigation are an historical accident, dating back to the group's origins in the business empire of the Belgian Empain family. Schneider claims the offshore companies, as with many Belgian groups, were established in tha 1960s to protect mining interests in the Belgian Congo (now Zaire) from nationalisation after independence.

Schneider denies benefiting from funds generated by the offshore companies, except in the form of dividends to Cofibel and Cofimines.

The company has also firmly denied allegations in the Belgian press that PB Finance was involved in money-laundering activities. "There is nothing in the structure of PB Finance which would allow any laundering of any kind," said Mr Pineau-Valencienne in an interview with Les Echos, the French business daily, last October. "I would add that money has rather been burned than laundered because the company has lost a lot of money," he said. Cofibel sold its shares in PB Finance earlier this year and the company is currently being managed by court-appointed lawyers.

Despite denials by Schneider of any irregularities, the events to date leave several questions unanswered. Why did Mr Pineau-Valenclenne travel to Brussels apparently unaware of the legal risks involved? Were decisions taken which, as tha prosecutors allege, acted against the interests of Belgian minority shareholders? If this was the case, to what extent could Mr Pineau-Valencienna have been involved? On the first count, Schneider says its chairman was taken by surprise and fell victim to an over-zealous Belgian legal system. "We have encountered a very particular judge," said a company official after the chairman's arrest. "Mr Pineau-Valencienne went to Brussels to make a statement which he believed would resolve the whole affair."

The answer to the second and third points is more complex, and will partly depend on a study of documents and correspondence taken by prosecutors after a search of Schneider's Paris headquarters by French and Belgian police last week. The documents have been studied over the weekend and will be used to decide whether Mr Pinean-Valencienne's appeal to be released will be upheld. An appeal is dne to be heard early this week, and a decision should be made within 11 days.

Ironically, it was Mr Pineau-Valencienne's attempt to bring more coherence into the disparste group of companies he inherited in 1981 that lies behind his current plight.

His decision to buy out the minority investors, he says, was an attempt to rationalise the "unimaginable imbroglio" of Schneider's Belgian operations.

As he sits in his cell in Forest prison, he is confronted by an imbroglio which appears denser still.

Hostile strategy pays off for Schneider

By John Ridding

In 13 years as bead of Schneider, Mr Didier Pineau-Valencienne has transformed a disparate range of business interests, ranging from steel and telecommunicatons equipment to sportswear, into one of Europe's largest electrical engineering companies.

The transformatiou bas involved an aggressive strategy of acquisitions and disposals. Landmarks include liquidation of the gronp's Creusot-Loire steelmaking arm in 1984, after a protracted test of strength with the Socialist government of the time. The government's refusal to rescue the steel company prompted its collapse, one of France's largest corporate failures.

In 1986, Mr Pineau-Valencienne took over Télémécanique, the electrical equipment gronp, after a bitter battle with employee shareholders.

> The company has emerged as one of Europe's largest electrical engineering groups

Five years later, the target was Square D of the US, which again succumbed only after a fierce fight. The final cost of the deal, \$2.23bn (£1.48bn), made it the biggest hostila takeover by a French company in the US. Mr Pinean-Valencienne's victory won him the accolade of manager of the year from the Nouvel Economiste magazine.

The Schneider chairman's aggressive restructuring strategy can be seen from the company's statistics. Last year it recorded sales of FFr56bu (£6.55bn) and employed about 90,000 people. In 1981, sales of FFr40bn were achieved from a workforce of 125,000. The bottom line has also been improving, with net profits up by 33 per cent last year to FFr405m.

The bulk of the group's busiuess comes from electricity distribntion, industrial coutrols and electrical contracting. In addition to Square D and Télémécanique, the principal subsidiaries are Merlin Gerin and Spie Batignoles. The Schneider chairman has also pursued a strategy of partnerships, resulting most recently in a joint venture with AEG of Germany in robotics.

Ironically, Mr Pineau-Valencienne's role in transforming the company may prove a weakness. "He is responsible for a lot of what the group has achieved in improving productivity and re-focusing its operations," says one electronics industry analyst in Paris. "As a result, his incarceration is worrying for investors."

Such worries bave been reflected in the movement of the company's share price. It fell by 5.6 per cent on the day of Mr Pineau-Valencienne's arrest and by a further 5.5 per cent when the Brussels magistrates confirmed that he would be detained in prison.

Industry observers say Mr Pineau-Valencienne's detention does not pose a threat to the group as a whole since the subsidiaries involved in the fraud case are relatively small – Cofibel and Cofimines represent less than 5 per cent of Schneider's total assets. But in terms of image and practical management of the group, the implications are more serious.

INTERNATIONAL PRESS REVIEW

A feast for Europe's media

SCHNEIDER

By Alice Rawsthorn and Emma Tucker

The Franco-Belgian rumpus as seen by Flemish daily De Standaard: Alain Juppé, French foreign minister, and Prime Minister Edouard Balladur on the line to Jean-Luc Dehaene, Belgian premier

There are very few prisoners whose incarceration would inspire a former French prime minister to write a front page newspaper article protesting against their plight.

Yet, Mrs Edith Cresson, the former Socialist premier, was moved to do just that in last week's *Journal du Dimanche* following the imprisonment of Mr Didier Pineau-Valencienne.

The protest from Mrs Cresson, who once worked for Schneider, was followed inside the paper by a declaration of support for the Schnelder chairman signed by 36 of France's most eminent industrialists. The protest set the tone for French coverage of *L'affaire Pineau-Valencienne*.

"Stupefication and emotion" was the headline of an article in Monday's edition of *La Tribune*, the financial daily. *Le Monde* recalled Belgium's past criticism of French "imperialism" in the corporate arena.

Even *Libération*, the liberal-left daily, expressed astonishment: "Company chairmen have been imprisoned before, but this time, a linchpin of the establishment has been hit."

Le Figaro, the centre-right daily, struck a cautionary tone on political consequences of Mr Pineau-Valencienne's arrest: "A stumbling block in the calm waters of Franco-Belgian relations". Later in the week, the media turned to long-term consequences on public perceptions of the business world.

The news on Monday that Mr Pierre Bergé, Yves Saint-Laurent chairman, had been indicted for insider trading cast another cloud over the corporate scene, as did coutinuing speculatiou over Mr Bernard Tapla, the left-wing entrepreneur, under pressure from Crédit Lyonnais to repay part of his debts.

Libération ended the week with an essay entitled "Goodbye to business?" in which Mr Michel Wieviorka, a leading sociologist, said idolisation of business in the 1980s had been replaced with disillusion over the "failure of industry to reduce unemployment or to regenerate the economy."

The Belgian press has been, as *L'Echo*, the Francophone financial daily put it, "indignant that the French are indignant". Many newspapers said that if France had forgotten the principle of judicial independence, Belgium had not.

"That this affair leads (in France) to unkind commentaries on the way Belgian judges conduct business arises from confusion which borders on bad faith and lends support to those circles that denounce, more often incorrectly than not, French 'imperialism'," said *La Libre Belgique*.

La Libre noted that Mr Melchior Wathelet, Belgian justice minister, was obliged to remind him that, in Belgium, rule of law prevails.

De Standaard took a similar line, writing glowingly about the prosecuting magistrate, Mr Jean-Claude Van Espen, as "a judge like no other". The idea that the arrest of Pineau-Valencienne was a lapse at the end of Van Espen's long career is just "wishful thinking" by people who believe that "a judge should defer humbly before a certain class of people", said the Flemish daily.

La Lanterne, a populist tabloid, rephrased the same thoughts. "France in shock: how could a "little judge dare..." it suggested.

De Standaard even contemplated a conspiracy theory. While it was inevitable business and politics of Belgium and France should be intimately involved with each other, it said, political reaction in France prompted by the detention lends weight to the theory that the French have a dark political and economic strategy of investments and takeovers in Belgium.

De Barsy: a high-profile minority shareholder

By Emma Tucker in Brussels

Mr André de Barsy displays none of the low-key characteristics of the typical bourgeois Belgian investor.

Unlike the Belgian shareholder who carefully avoids both the country's tax system and the limelight, Mr de Barsy is known for his forthright questioning at annual general meetings.

At his sombre offices in central Brussels, Mr da Barsy, a financial analyst who runs his own investment company, expounds on the questions he has put to the management of Cofimines since 1991, when he first became a shareholder in the Schneider subsidiary.

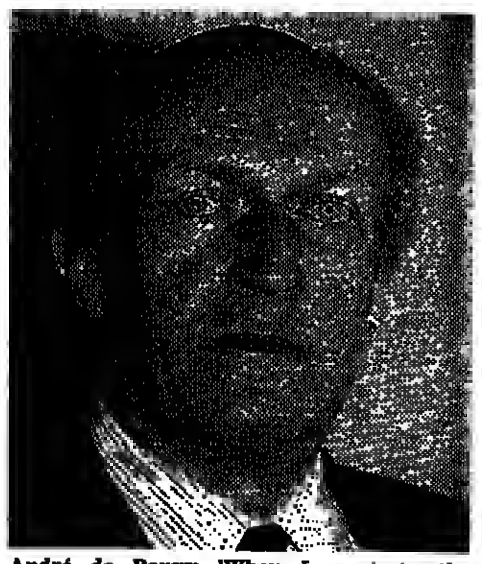
"For some years I was singled out because, when I went to meetings, it wasn't just to hear what I could read in a report, it was to ask questions about the normal course of business," he says. Other individual minority shareholders took note. A total of 180 of them turned to Mr de Barsy for advice when they first suspected that Schneider was giving them a less than fair deal in its takeover bid in late 1992. The group of minority shareholders took their case to the Belgian legal authorities. The threat of legal action prompted Schneider to raise tha share price offer.

While most of the individuals took the money and settled back in anonymity, Mr de Barsy refused to accept the raised offer – and has continued to ask questions about unexplained aspects of the Schneider-Cofimines link.

From behind his solid wooden desk, piled high with papers and sporting a bakelite telephone, as well as two more modern handsets, Mr de Barsy has meticulously followed the Schneider case. He focuses on what he calls the "complicated architecture" of Cofimines' elaborate offshore operations, which he alleges has had the effect of hiding part of Cofimines profits from shareholders.

"I knew in 1992 of the existence of some of these offshore companies and asked why it was necessary to have this sort of investment vehicle. But I didn't suspect that other offshore companies existed as well."

In 1992, he says, Mr Jean Verdoot, the companies' former managing director, answered some of his questions in apparent good faith. "But he evidently knew many things he didn't speak about."



André de Barsy: 'When I went to the [shareholders'] meetings, it wasn't just to hear what I could read in a report, it was to ask questions about the course of business' Reuter

One of the points queried by Mr de Barsy refers to guarantees on share transactions involving both Schneider and Cofimines, centred on the purchase of a stake in the Luxembourg steel company Arbed.

"At Cofimines annual general meeting in May 1992 I received an assurance that these [guarantees] were clear, and I was satisfied with the investment." Now, however, he thinks that questions on these dealings need still to be followed up.

Mr de Barsy questions Mr Pineau-Valencienne's closeness to the operations of Cofimines, of which he was the chairman, and alleges that the Schneider chief was rarely in Brussels. "I think it is important that a manager is conscious of his need to report to the people, and not to stand apart like the Roi de Soleil."

Party facing Northwards

George Graham finds Virginia Republicans divided

One year ago; Virginia Republicans wsre divided sharply over the religious right-winger whom their party had nominated for the state's lieutenant-governorship. He lost.

This weekend, the party selected to run in November, for election to the US Senate, a candidate who divides opinions even more sharply: Mr Oliver North, former colonal of Marines, who was one of the organisers of the Iran-Contra plot to trade arms for the US hostages held in Lebanon.

The near-15,000 delegates who picked Mr North, at a festive party convention in the Virginian state capital of Richmond on Saturday, were determined to avoid the internal strife of last year and to preserve party unity.

Once it was clear that Mr North had won more than 55 per cent of the delegates' votes, Mr James Miller, budget director in the Reagan administration who had also battled for the nomination, promised his full support in the campaign to unseat Senator Chuck Robb, the Democratic incumbent whosa sex life has severely tarnished his prospects of re-election.

Virginia Republicans are unusual in picking their Senate nominee at a party convention. The state's Democrats will hold a primary, open to a wider electorate than the party faithful who attend conventions, next week.

The often fierce struggle for the Republican nomination has been portrayed as a fight between the moderate and the right-winger, but Mr Miller's political stance was as far to the right as Mr North's. Indeed, he even outflanked Mr North on the issue of abortion by refusing to accept any exceptions, even in cases of incest or rape.

Although the few party moderates who attended the convention in Richmond mostly backed Mr Miller, most delegates committed to him were barely distinguishable from their counterparts in the North camp.

"It's neck-and-neck on conservative issues. I could support either one," said Mr Harry Lee, a delegate who had picked Mr Miller mainly because opinion polls show his chances of defeating Mr Robb to be much better than Mr North's.

Many Miller delegates, such as Mr William James from rural Brunswick county, on Virginia's border with North Carolina, had once backed Mr North. Mr James switched in April, but only in the last week was he able to persuade his wife, also a delegate, to change her mind.

Besides the blessing of former President Ronald Reagan and most senior figures from the Reagan administration, Mr Miller also won the late support of many of Virginia's congressmen and Republican party heavyweights.

But political endorsements swayed few at the convention.

"It doesn't matter which congressman is speaking on whose behalf, it matters what the person who kneels next to you in church thinks," said Mr Kerry Burch, a North supporter.

Senator John Warner, the Repnblican moderate who holds the state's other seat in the Senate, has called Mr North unfit for office and has thrown his weight behind Mr Marshall Coleman, a Republican and a former state attorney-general who is trying to get on the November ballot as an independent. He may even run as an independent when he faces re-election for his present job in 1996.

Mr Warner preferred to attend D-Day commemorations in Europe this weekend rather than brave a party convention at which his name was often jeered.

"I think he's leaning too far to the left. He's talking about running as an independent and I can see why, because I don't think this party would support him," said Mrs Janice Cifers, a North supporter.

Yet, even in this conservativa and religious assembly, however, Mr North was able to win only 55 per cent of the votes.

There remain doubts over his ability to win votes from a broader electorste which remembers that he was convicted of lying to Congress over *Iran-Contra*. His convictions were subsequently overturned, because he had previously testified to Congress under immunity from prosecution, but he has admitted lying.

In fact, the Virginia Republicans have picked one of the very few candidates against whom Mr Robb's chances of winning re-election must be rated as good.

Mr North's fervent supporters are aware of the difficulties he will face in the November election, and have joined with gusto in the game of tactical voting that is expected then: supporters of the Democratic former governnr nf Virginia, Mr Douglas Wilder, set up stands nutside the convention and estimated that 5,000 to 6,000 Republican delegates, eager to split Mr Robb's support, signed petitions to put Mr Wilder nn the ballot paper as another independent.

He's our boy: Governor George Allen of Virginia (right) congratulates Oliver North Picture: Reuter

Expand jobs 'through training'

By Peter Norman

Tha US and other western indnstrial nations could achieve higher levels of employment by training more people to develop problem-solving skills, Mr Robert Reich, US secretary of labour, said yesterday.

At a seminar on job-creation, organised in London by the British newspaper The Guardian, Mr Reich said there was a "third way" between the US experience of the past 20 years, nf creating many jobs but with low wages, and the European approach of creating few, highly-skilled jnbs and suffering high unemployment.

Faster job growth, Mr Reich said, would be in areas where intellectual capital is required. Jnb seekers in industrial countries had to cnpe with the world in which the mass production of high-volume, standardised products was nn lnnger the engine of econnmic growth. Instead, growth lay in fulfilling nicbe reqnirements and constant adaptation.

The US administration has acted, Mr Reich said, to create national vocational standards, created links between school and apprenticeships, introduced an earned income tax credit to help the poor in work, and started a scheme to channel the unemployed into new jobs and skills.

Mr Reicb will explain more about the US programme for dealing with unemployment at a meeting of finance, employment and trade ministers in Paris tomorrow. That is due to adopt a new report on job-creation prepared by the Organisation for Ecnnomic Co-operation and Development.

Mr Reich's remarks yesterday showed how far the Clinton administration has shifted the debate on unemployment and pay from the free market doctrines of the Reagan and Bush years. Using words that would surprise many in the UK, he said flexibility in labour markets should not mean giving employers the power to fire workers or reduce wages at will.

He also spoke in favour of the minimum wage as a way to combat poverty, suggesting that the present US minimum wage of $4.25 (£2.81) per hour could be raised by 50 cents to $1 without endangering employment.

NEWS IN BRIEF

Haiti refugees for UK islands

Britain has agreed to let Washington use the Turks and Caicos Islands, a British archipelago in the Caribbean, for processing Haitians seeking asylum in the US, writes David Owen in London.

This was agreed over the weekend at a meeting of Mr John Major, UK prime minister, and US President Bill Clinton. The proposed processing centre could be in use by next month.

The agreement on Haitian asylum-seekers came less than a week after Mr P J Patterson, Jamaican prime minister, had said his country was to let its territorial waters be used for the questioning, on board US-chartered ships, of Haitian refugees who had been intercepted at sea by US forces.

The prime minister and the president used their informal meeting, in Britain during the D-Day commemoration, to discuss a wide range of issues, including North Korea, Bosnia, Rwanda and Northern Ireland. On Bosnia, the two men welcomed the establishment of a diplomatic process to bring together the US, the European Union and Russia, and the two men discussed plans for a conference in Geneva on the reconstruction of Sarajevo.

Oil refinery in Aden bombed by northerners

Northern Yemeni warplanes yesterday bombed Aden's oil refinery, setting a storage tank on fire. Rival forces exchanged rocket and tank fire at battlefronts around the city before the expected arrival in Yemen of a United Nations envoy, Reuter reports from Aden.

"As part of a dangerous escalation in the war, and in a flagrant violation of mediation by the international community, Aden's refinery was bombed by ... northern warplanes, setting fire in one of the storage tanks," said a southern statement. It added that southern anti-aircraft fire shot down one of the raiding aircraft.

The refinery, in the Little Aden suburb about 12 miles from the centre of Aden, has been a constant target of northern aircraft. Refinery officials put production at 70,000 barrels per day, down from about 110,000 bpd at the start of the war.

Southern officials had warned that, if the refinery or the nearby power plant were hit, the south would retaliate by attack vital northern installations.

Inflation figures undermine Turkish austerity efforts

Turkey's hopes of achieving its austerity targets have been dealt a blow with publication of the latest inflation figures, which could undermine government efforts to win union restraint in the current public sector wage negotiations, writes John Murray Brown in Istanbul.

Annual consumer price inflation last month rose to 117 per cent, compared with 107 per cent in April, after a 24 per cent increase in April had followed the announcement of one-off price rises in state-controlled commodities such as petrol and sugar.

The government's austerity programme, announced on April 5, aims to halve the budget deficit to the equivalent of $2.8bn (£1.85bn) in 1994, on the basis of a 15 per cent real cut in wages across the economy and annualised inflation in the second half of this year at about 30 per cent.

The latest figures, announced at the weekend by the state institute of statistics, suggest that, four months into the crisis, some companies are only now adjusting prices to compensate for slower sales and squeezed margins.

The latest increases, higher than the official forecast of 7 per cent, will make it more difficult for the government to hold the line on wages, and thus could imperil the fiscal reduction targets on which Turkey is negotiating for a stand-by facility with the International Monetary Fund.

Iraqis sentenced to death in Kuwait over Bush plot

A Kuwaiti court on Saturday sentenced five Iraqis and one Kuwaiti to death for plotting to kill former US president George Bush when he visited the emirate in 1993, Reuter reports from Kuwait.

Another five Iraqis and two Kuwaitis were sentenced to prison terms ranging from six months to 12 years for offences including possession of explosives, liquor smuggling and illegal entry. One Kuwaiti was acquitted.

The death sentences are subject to review by another court and by the ruler of Kuwait, the emir.

During the last session in April of the trial, which opened nearly a year ago, defence lawyers said the testimony of the sole prosecution witness, state security Colonel Abdul Samad al-Shatti, was based on assumptions.

Ethiopians vote for assembly to draw up constitution

Ethiopians began voting early yesterday in a national poll for an assembly which is to draw up a democratic constitution, agencies report from Addis Ababa.

The election is Ethiopia's first national democratic poll for decades, with about 15m registered voters from a population of more than 50m choosing a 547-member assembly. About 60 per cent of the candidates say they are independent and not allied to any political party.

Some opposition parties, which draw their main support from the Amhara ethnic group in the capital, are boycotting the poll. They argue that a draft constitution likely to be approved by the new elected body could lead to the disintegration of the country by granting the right of secession to its many ethnic groups.

Czechs alerted by investment deadline

Vincent Boland assesses the latest twist in an eastern European privatisation

Little disturbs the averaga Czech investor, except tha occasional deadline.

This waekend, aspiring shareholdars in another tranche of the country's economic infrastructure were making last-minute touches to their voucher booklets as the second and crucial round of the second wave of privatisation drew to a close.

Applications for shares in 846 of the Czech republic's top companies have to be at the privatisation ministry first thing this morning. Ministry officials have cleared the decks for a deluge of paper from an estimated 6m investors.

Prague launched Eastern Europe's most ambitious mass privatisation programme with the first wave of sell-offs in 1991, transferring 943 enterprises to the public. It is now mid-way through the second, and probably final wave of mass privatisation.

To rapidly transfer state property to the public, the Czechs have developed a complex system in which each investor starts off with 1000 points. These points are then converted into shares through a series of closed national auctions at bids which are matched with the shares available. If a particular share is over-subscribed no shares are sold and the share is moved into a second round of bidding at a higher price.

The second wave of privatisation began in March with an initial round of bidding which resulted in the allocation of just over 13 per cent of the Kc155bn ($5.34bn) of assets for sale.

Bids for the second round closed this morning and investors are busy predicting how much of the state property will be sold.

Analysts in Prague expect a large number of the available shares to be sold off in this round. "This is the single largest round in terms of shares distributed," said Mr Alexander Angell of stockbrokers Wood and Company. "My guesstimate is that between 40 and 50 per cent of the shares will be allocated."

Managers of Prague's investment funds, to which 65 per cent of private investors have entrusted their vouchers, are tight-lipped about which sectors and companies in this round are most in demand.

Fierce competition among the 349 funds for points, and the inevitable excess of quantity over quality on offer, is likely to lead to heavy bidding for certain sectors, reflecting a growing trend among fund managers to concentrate their investment strategies on certain sectors.

Privately, the fund managers say that the brewing, pharmaceutical, chemical, telecommunications and oil distribution sectors are those most likely to attract the most bids.

In the first wave, many less-experienced funds bid for shares in almost all the companies on offer. The result was a dispersed portfolio which has failed to match the returns being offered to investors by those funds which concentrated their investments in a narrower range of companies.

The most successful funds – including Creditanstalt Investment Fund, ZB Trust (run by Zivnostenska Banka) and Harvard (established by controversial Mr Viktor Kozeny) – have invested in less than 100 companies in key sectors of the economy.

This round of the privatisation is attracting strong interest by foreign investors, according to Mr Nigel Williams, chairman of Creditanstalt's funds.

Foreigners cannot participate directly but some, such as emerging market funds, are offering to buy stakes in some Czech companies from the investment funds at a premium. Mr Williams said the premium can be as much as 20 per cent of the value of the stake. "It happened to an extent with industrial investors in the first wave. Now we are seeing financial investors coming in," he said.

The premium offered by such investors to the Czech investment funds goes to the shareholders in those funds, increasing tbe attraction of investing in the funds themselves rather than directly in the companies.

Creditanstalt's privatisation fund was fully listed on the Prague stock exchange last week, only the second sucb fund to be quoted so far.

When the second wave is completed, probably by October of this year, some 1,600 companies will be listed on tha exchange, making it the biggest stockmarket in eastern Europe. Then, all investors should have taken possession of tbe shares, substantially increasing the liquidity of the market.

Problems of illiquidity have caused share prices to fall beavily in recent months. Since February 1, the market has dropped by more than 40 per cent in thin trading as the big investment funds concentrated on the share flotations.

Analysts expect the deadline today deadline to shift the focus back to the market, though no great surge in prices is expected until more companies are fully listed.

Serb commanders remain confident of Bosnia victory

By Laura Silber at Doboj, Bosnia

Firmly convinced that peace talks on Bosnia will remain deadlocked, Serb commanders maintain that the final settlement will be reached on the battlefield.

From his hill-top command post in northern Bosnia, Lt-Colonel Miko Skoric insists that Serb forces will honour an agreement reached by their leaders. "But the war will end only when the Moslems are defeated." He echoes the oft-repeated threats of his military chiefs – that Serb forces will seize all of Bosnia if the Moslems sustain their offensive.

There is scant evidence of this offensive, much heralded by the Serbian media. Instead of a major military push, the occasional crash of artillery rounds inflicting civilian casualties in Serb-held towns, appears to signal the growing confidence of the Bosnian army.

Eager to portray the Serbs as victims, guides point to a gaping hole where a tank round ripped through the wall of the medical centre at Doboj, northern Bosnia. In a departure from the usual military bravado, Lt-Col Milovan Milutinovic, the Serb army spokesman, even claims huge losses in a recent battle in the area.

Despite these reports, Serb soldiers on the northern front appear relaxed and self-assured. In fact, say diplomats, there are signs that Serb forces are preparing to launch an attack in northern Bosnia, a region which both sides see as crucial to the war's outcome.

The Serb corridor, linking Belgrade to Serb-held land in Bosnia and Croatia, weaves through the northern Posavina, the Sava River valley.

Lt-Col Skoric say the Serbs will never give up this land. As though following an order, local commanders no longer use the term "corridor".

They say that the Posavina historically was Serbian, ignoring the fact that, before the war, Moslems and Croats comprised the bulk of the population.

Republika Srpska, the self-styled Serb state which covers more than 70 per cent of Bosnia, depends on tha corridor for survival.

People show little remorse for their former neighbours in the towns of Doboj and Brcko, who were mostly Moslem before the outbreak of war in April 1992. Instead, they complain that the West has sided with their Moslem enemies.

With each day of what they call Moslem delays in reaching a political settlement, Serb commanders say the Bosnian army risks losing everything. "When Serb forces re-take territory, we don't just take a few metres but several kilometres," says Lt-Col Skoric, laughing. "Like the Moslems, we see Bosnia-Hercegovina as our fatherland. We also believe that much more land should belong to us."

The United Nations yesterday abandoned efforts to start new ceasefire talks among the leaders of Bosnia's warring communities, after a four-day government boycott, writes Laura Silber in Belgrade.

The Moslem-led Bosnian government had refused to return to the negotiating table in Geneva, in protest against the Serb failure to comply with the 3km UN exclusion zone around Gorazde, the south-eastern Moslem enclave. UN officials yesterday said the bulk of the Serb militia had withdrawn from the zone set up by the UN in April.

Also, President Alija Izetbegovic of Bosnia called for a 100km exclusion zone with its centre in the heart of the country. He told US senators visiting Sarajevo that be would propose the idea to the peace talks in Geneva, in order to create a "free Bosnia".

Beijing may toughen line on N Korea

By Tony Walker in Beijing

China has given no official indication that it might be about to reconsider its refusal to countenance sanctions against North Korea over Pyongyang's resistance to International Atomic Energy Agency inspections of nuclear facilities.

But there is also no doubt that Beijing is viewing developments with increasing alarm, and may have decided to begin sending more pointed signals to Pyongyang that it cannot continue to defy international pressures.

In Hong Kong at the weekend, the Beijing-funded newspaper Ta Kung Pao provided the first hint that China might, if all else fails, fall into line with sanctions that would include an oil and food embargo. China would also cease all border trade, the article said.

China's oil exports to North Korea are critical to the continued functioning of its economy, and perhaps more importantly its war machine. Chinese foodstuffs are also vital to a country suffering from shortages of basic items.

But, for the moment, it seems more likely that China will continue to insist that diplomatic efforts be exhausted before the international community resorts to sanctions.

South Korea has few links with the North, so the impact of its sanctions would be limited without the participation of other nations.

South Korean officials have indicated that Seoul wanted a resolution that would put an economic embargo into effect only if North Korea failed to offer a credible way to open its nuclear programme by a deadline. "This formula might make it easier for China to take part in the resolution," the official said.

A conditional embargo seems compatible with a statement by US President Bill Clinton that Pyongyang could still head off sanctions.

In Beijing last week a foreign ministry spokesman said that, whila China was very concerned about the issue, "we do not favour the resort to means that might sharpen the confrontation".

However, as the crisis deepens, it is becoming more difficult for Beijing to maintain that dialogue will yield positive benefits. In March, China headed off an earlier US attempt to promote a sanctions process in the United Nations Security Council, arguing that more time was needed to draw Pyongyang into discussion on the nuclear issue.

Two months have passed without tangible progress. Indeed the IAEA conclusion that it may now be too late to verify what has happened to weapons grade plutonium from spent fual rods in North Korea's nuclear reactors suggests that diplomacy has failed.

Chinese officials were this weekend talking about "fresh complications" over Nortb Korea, but this is a long way from indicating a sea-change in policy may be under way.

Beijing has no interest in seaing a furtber destabilised Korean peninsula and one in which nuclear weapons bave become part of the equation on both sides of the demilitarised zone. But equally, it remains deeply opposed to meddling by outside powers in the region's affairs.

One of China's abiding fears is that an economic blockade against an impoverished North Korea might precipitate a refugee stampede along the two countries' common frontier.

If Beijing fell into line with limited sanctions it would almost certainly produce a deep chill, if not a diplomatic estrangement with Pyongyang. China would risk such a development only as a last resort.

Seoul on hook of unattractive options

There are risks in both war and sanctions, writes John Burton

The deepening crisis over North Korea's nuclear programme is provoking much soul-searching in South Korea.

The possibility that United Nations economic sanctions could trigger a military response from North Korea is raising doubts about whether the South should risk going to war to stop the North from possessing a nuclear weapon.

A conflict could cost several million civilian lives and the destruction of Seoul, the South Korean capital, which lies only 35 miles from the demilitarised zone separating the two Koreas.

The no-war scenario is also alarming. An international trade embargo could cause the tottering North Korean economy to collapse and with it the government of President Kim Il-sung – a prospect that scares Seoul almost as much as a military conflict.

Such a premature reunification of Korea would force South Korea to spend as much as $200bn (£133.3bn) on reconstruction costs to absorb tha North, while diverting resources from the South's pusb to create an advanced industrial base that would compete effectively against the West and Japan.

The complexity of the situation is in sharp contrast to the clear-cut cold war view of North Korea during the 1961-1987 period of military rule in South Korea. The government and public then widely regarded North Korea as a dangerous foe that must be brought quickly to its knees.

That attitude has not completely disappeared under the democratic government of President Kim Young-sam. The military and intelligence service contend that North Korea is intent on developing a nuclear weapon, possibly to support a forced reunification on Pyongyang's terms.

They warn that North Korea has talked about reunifying the "fatherland" in 1995, the symbolic 50th anniversary of Korea's division after the peninsula's liberation from Japanese colonial rule.

North Korea's apparent efforts to destroy evidence of its suspected nuclear weapons programme by removing spent fuel rods from its reactor and hiding them from international inspectors has strengthened the position of South Korean officials who favour a hard line toward Pyongyang.

But the belief that North Korea still harbours hostile intentions toward the South has been met with increased scepticism among some South Koreans, particularly those born after the Korean War ended in 1953.

The South's growing prosperity and democratic progress have increased national self-confidence. It has supported the perception that the South has already won its cold war against the struggling and isolated North and has little to fear from it.

Government officials who favour a conciliatory approach toward North Korea argue that Pyongyang is using its nuclear programme as a bargaining chip to win security guarantees from the US, including diplomatic recognition and economic aid.

These officials believe that the North may not even have the technical capability to build a nuclear weapon, but Pyongyang needs to create tha impression that it is pursuing such a programme to bolster its negotiating position with the US.

The action by North Korea to bar international inspections of the spent fuel rods is part of its strategy to maintain uncertainty over the extent of the programme until Pyongyang wins the concessions it seeks, according to this theory.

Outside government, there are widening generational differences on the North Korean issue. University students believe that the US and Japan, rather than North Korea, represent the biggest potential threats to South Korea, according to a recent survey.

Radical students viaw the nuclear dispute in a pan-Korean nationalist perspective, claiming that the crisis has been provoked by the US to reverse Washington's dwindling influence on the Korean peninsula and to force Seoul to buy US weapons, such as the Patriot missile. Anti-American feeling is widespread among students because of past US support for the country's military rulers.

Distrust toward Japan is even greater as it develops a nuclear reprocessing capability and the potential means to build a atomic bomb. Opposition politicians are demanding that South Korea should acquire nuclear processing facilities in response.

There is growing public sentiment that a North Korean nuclear bomb programme may not be such a bad thing as South Korea could inherit it after reunification and use it to defend Korea against Japan.

Tha best-selling book in South Korea recently has been a thriller describing a secret joint North-South programme to build a nuclear weapon, which is then used to stop a Japanese attack on Korea in the late-1990s. "Many people find the book thought-provoking and wonder why South Korea shouldn't have a nuclear weapon," said one Korean journalist.

The popularity of the novel suggests that one unexpected result of the North Korea nuclear dispute could be growing public acceptance for a more assertive and independent South Korean foreign policy, including the possession of its own nuclear arsenal.

South Korea wants the United Nations to give North Korea a deadline by which it must open its nuclear sites to international inspection or be slapped with economic sanctions, Seoul officials said yesterday, Reuter reports from Seoul.

"What the international community wants is North Korean nuclear transparency and not punishment for the sake of punishment," a government official said.

Yoo Chong-ha, South Korea's UN ambassador, said: "It is the South Korean government's clear position that there's no other option but to seek sanctions against North Korea through the United Nations."

He told the Seoul daily Dong-A Ilbo that the five permanent members of the UN Security Council would soon begin intensive consultations on a US-drafted resolution on sanctions.

Japan's SDP opposes Korean sanctions

By William Dawkins in Tokyo

Japanese government preparations for possible sanctions against North Korea have provoked strong resistance from the Social Democratic party, the second largest opposition group.

Opposition to action against North Korea, voiced over the weekend by Mr Wataru Kubo, the SDP's secretary general, suggests that a United Nations call for sanctions might prodnce a slow response from Japan, given the unstable state of the minority coalition government.

"The Socialists. . . are against this idea," he said.

Mr Ichiro Ozawa, the government's backroom strategist, has repeatedly warned that Japan will lose international credibility if it fails to make a contribution, commensurate with its economic clout, to solving international crises.

The SDP, whose left wing supports the Pyongyang regime, was responding to Japanese press reports that the government offered a 10-point sanctions package to curb cash transfers and stop official visits.

The package resulted from a meeting between US and South Korean officials in Washington on Saturday, according to the reports.

Government officials in Tokyo refused to comment on details but confirmed that a draft plan had been discussed, following the International Atomic Energy Agency's decision to refer North Korea to tha UN Security Council for continuing to frustrate its attempts to inspect nuclear reactors.

Japanese governmant policy, as explained by Mr Koji Kakizawa, the foreign minister, is for a two-stage strategy: a UN resolution warning North Korea, followed by a decision on sanctions.

According to Japanese newspapers, the draft includes a complete ban on bilateral trade – including any through third countries – on flights, financial transfers and travel between Japan and North Korea by officials of each side. Stricter immigration controls are also said to be proposed.

Japan's stance will be an important influence on the weight of any threat to take sanctions – or the effectiveness of actual measures – because it is North Korea's second largest trade partner after China. Officials believe Beijing is likely to veto any UN sanctions, leaving the US to act outside the aegis of the UN, with Japan and South Korea.

But some Japanese commentators as well as politicians said the proposed sanctions would be difficult to implement, illegal and ineffective.

Japanese exports to North Korea were $219.7m (£146.4m) last year, while imports were $252.3m, according to the Japan External Trade Organisation. On top of this, North Koreans living in Japan carry an estimated $600m annually back to their home country. For this reason, the package also includes curbs on cash that North Korean immigrants may carry with them on home visits.

Russia's arms sales drive triumphs

By Kieran Cooke in Kuala Lumpur and Bruce Clark in London

An agreement to be signed in Malaysia tomorrow for the purchase of 18 MiG-29 fighter aircraft is a success for Russia's drive to break into the most lncrative sectors of the international arms market.

Malaysia will be the first country in the strongly anti-communist region to buy MiGs, but it cannot be accused of leaving itself dependent on Russian air power. It is also buying eight US-made F-18 fighters and 28 British Hawk fighters as part of a programme to upgrade the air-force.

The country is using its new-found economic prosperity to modernise all its defence forces. Under the the current six-year (1991-95) defence plan, its is spending about $3bn (£2bn) on weaponry, an increase of more than 200 per cent over the previous five years.

That makes it exactly the kind of customer that Russia's newly revamped arms export agency is trying to woo.

On the face of things, arms exports from the former Soviet Union plummeted following the collapse of communism, in part because so many of the country's traditional clients, such as Libya and Iraq, were subject to international sanctions.

However the statistics were somewhat misleading. Most Soviet arms deliveries were dictated by political rather than commercial considerations, and they were often made on such soft terms as to be of little economic benefit to Moscow.

Only now is the Russian government mounting a properly co-ordinated effort to sell weaponry to countries that can afford to pay.

Russia's initial approaches to Malaysia were amateurishly presented – "an offer scribbled on a piece of paper", as one military expert put it – and governments in south-east Asia were bewildered by the numbered of Russlans who claimed to have the authority to sell MiGs.

Ironically, one of the Moscow's most high-profile salesmen in Malaysia has been Alexander Rutskoi, the renegade vice-president who was at the centre of last October's attempted putsch.

Since the October violence, President Boris Yeltsin has moved to consolidate his own authority over the arms export business. He blessed the foundation in March, amid a dazzling display of corporate hospitality, of a new state agency called Ros-Vooruzhenie.

As well as south-east Asia, other target markets include the wealthy Gulf states and Latin America. Russia sent a top-level delegation to an arms exhibition in Chile in March.

The estimated value of the Malaysian deal is about $650m, with 25 per cent to be paid in palm oil. There have been tough negotiations over servicing and maintenance, with Malaysia pressing – reportedly with some success – for production of some spare parts on its own soil.

This is likely to raise eyebrows among western defence officials, who allege that the servicing of weaponry is often used as a cover for Russian military intelligence.

However the Malaysian government is insisting a mixture serves its purposes best. It says its MiG fighters will be used for defence tasks, while the F-18s will be deployed as strike aircraft.

The combination will not be an unmixed blessing for the Malaysian air force, since it involves combining two systems for internal organisation and training. It could also complicate the efforts of Association of Sonth-east Asian Nations (Asean) countries to integrate and make complementary their armed forces.

However the country's refusal to commit itself to the weapon systems of any one major country has increased its financial bargaining power.

Prosecutor's claims that assassin probably acted alone criticised

Colosio theories fail to satisfy Mexican opposition

By Damian Fraser in Mexico City

Mexico's main opposition parties have criticised tha special prosecutor's claim that the assassin of Luis Donaldo Colosio, the slain presidential candidate of the ruling party, probably acted alone and was not part of a conspiracy.

Mr Miguel Montes, tbe government's special prosecutor, last week backed away from his original contention that several people aided the assassin, saying there was no new evidence to bolster the conspiracy theory.

Without calling for the release of three men arrested for helping the gunman, he said: "The hypothesis is strengthened that the murder was committed by one man alone: Mario Aburto Martinez".

Mr Diego Fernandez de Cevallos, the presidential candidate of the centre-rigbt opposition, said: "They should get to the bottom of this. What Montes has said so far does not satisfy ma or my party."

The leftist opposition said that there were severe doubts about the impartiality of the special prosecutor and "we are now seeing the consequences of this".

The three men accused of assisting the assassin had been hired by Mr Colosio's own party to control crowds at the campaign rally where be was slain.

Their arrest contributed to political instability and nervousness in financial markets in the weeks following Mr Colosio's death, with polls showing that about one-third of respondents believed the ruling party was behind the killing.

The evidence against the accused appears to have been largely based on photographs and video footage which, in the prosecutor's original view, showed them helping Mr Aburto, who has confessed to the assassination.

However, Spanish police called in to help the investigation later concluded that the photographic evidence was inconclusive.

Earlier last week the five members of the independent commission appointed by President Carlos Salinas to verify the findings of the special prosecutor resigned, saying they were not given sufficient legal authority to carry out their task.

A government official said the widow of Mr Colosio would select a new commission.

● Mr Cuauhtémoc Cárdenas, the presidential candidate of the left-leaning opposition Democratic Revolutionary Party, has received a death threat, according to the state newspaper El Nacional yesterday.

The threat came in a letter, which said: "We are disposed to eradicate social ulcers. Cuauhtémoc is one of those. Remember what happened to Colosio and say goodbye to Cuauhtémoc because this week he will die."

Row over Jakarta foreign investment

By Manuela Saragosa in Jakarta

Indonesian ministers, journalists and publishers have expressed stiff opposition to the relaxation of rules on foreign investment limits.

Presenting their case against tha new policy which was introduced last week, they complained the move would endanger Indonesian values by allowing foreigners to influence public opinion. "If (this is allowed) we can no longer use the media to fight for the country," Mr Harmoko, minister of information, was quoted saying in the national press. "We will be under tha control of foreigners."

Mr Harmoko said a law stipulating that only Indonesian citizens may own publications may be enough to thwart any attempts to open the media to foreigners.

The debate gave credence to criticism that governmsnt departments and ministries do not consult each other when formulating policies. Mr Harmoko's statements come only two days after the government announced it was slashing limits on foreign investment and foreign equity ownership in an effort to compete with neighbouring Asian economies offering more attractive investment policies.

Foreign investment in Indonesia dropped to $8.4bn in 1993 from $10.3bn a year earlier.

The deregulation package also opens up nuclear power, ports, telecommunications, railways and civil aviation to partial foreign ownership.

An Indonesian woman and her 13-month-old child sit amid the wreckage of their home in Pancur over the weekend — Reuter

Indonesia hit by 12 tidal waves

Indonesians mourned their dead yesterday after up to 12 tidal waves engulfed Pancur, 880km east of Jakarta, after an earthquake just after midnight on Friday.

Pancur and its surrounding areas stand on a spur near the resort island of Bali. More than 400 earthquake aftershocks triggered fears of a fresh tragedy in the remote south-east corner of East Java.

No official death toll has been issued but police estimate the toll at more than 200.

It was Indonesia's worst tidal wave disaster since over 2,000 people were killed on Flores island, east of Bali, after a big earthquake and tidal waves in 1992.

Wreckage from nearly 500 wooden homes was strewn among palm trees in the fishing town of Pancur. Children played among the debris while people sought to salvage possessions from their homes.

Taiwan to probe pollution claims

By Laura Tyson in Taiwan

Taiwan's Environment Ministry has launched an investigation into allegations that France's Thomson Consumer Electronics and US-based RCA dumped organic wastes near factory sites, polluting soil and groundwater over 20 years.

Chinese New party legislator Jaw Shau-Kong, former head of the Environmental Protection Administration, had accused Thomson, which bought the two factories south of Taipei in late 1987, of covering up tha extent of the damage. The EPA promised legal action against the companies involved if the water supply had been contaminated and proof of a cover-up was found.

Public protests over pollution have mounted in recent years in heavily industrialised Taiwan, but usually they have been aimed at local companies. There is concern that foreign companies may find themselves caught in the crossfire of domestic politics. The case also raises the spectre of liability for actions taken by previous owners.

RCA built the factories in 1970, and they became the property of General Electric of the US in 1986 when GE took over RCA, according to Mr William Betke, Taiwan general manager of General Electric Technical Services.

A spokesman for Thomson Consumer Electronics said from Paris: "To the best of our knowledge, Thomson did not violate any environmental laws or regulations during the time the company owned the properties."

Thomson sold the sites in 1991 and 1992 to local conglomerates, which apparently plan to use them for commercial and residential purposes.

The EPA said the investigation results would be made public next week.

NEWS: UK

Britain backs off veto over EC presidency

By Philip Stephens, Political Editor

The British government is refusing to threaten its national veto against the candidacy of Mr Jean-Luc Dehaene for the European Commission presidency amid acknowledgement in Whitehall it may eventually fail to block the appointment of the Belgian prime minister.

But risk of a political backlash on the Conservative backbenches could force Mr John Major to ensure that a decision on the succession to Mr Jacques Delors is postponed beyond this month's European Union summit in Corfu.

Ministers insist the competition for the post is still wide open despite the endorsement of Mr Dehaene by both Germany and France. They also point out that the Belgian prime minister, an avowed supporter of a federal Europe, has not formally announced he is running for the job.

But Mr Major yesterday publicly acknowledged the risks of seeking to use Britain's national veto to block Mr Dehaene. Speaking on BBC television he recalled that the then Mrs Margaret Thatcher had vetoed the candidacy of Mr Claude Cheysson, the former French foreign minister, in 1984. The result had been the appointment of Mr Delors.

Former Conservative Trade minister Sir Leon Brittan – Mr John Major's preferred candidate – and Mr Ruud Lubbers, the Dutch prime minister, have both indicated their determination to stay in the race. British ministers believe the Irish government will not give its required support for Mr Peter Sutherland, the outgoing head of the General Agreement on Tariffs and Trade.

British ministers believe Mr Dehaene's reputation as an advocate of a centralised European superstate has been greatly exaggerated in the British media and among Eurosceptics on the Tory backbenches. The Belgian prime minister is seen in Whitehall as "political fixer" rather than a "European visionary" in the mould of Mr Delors.

But Mr Major knows that to accept the candidacy of Mr Dehaene immediately after an expected heavy Tory defeat in this week's European elections could provoke a serious rebellion on the Conservative backbenches.

After his retreat earlier this year on the issue of majority voting in the Council of Minister, some right-wing Tory MPs see the Commission presidency as a litmus test of Mr Major's credibility in Europe.

So while studiously avoiding any threat of a veto, the prime minister will hope that deadlock at the Corfu summit could halt the Dehaene bandwagon and rekindle the chances of Sir Leon's eventual appointment.

Major steps up Euro offensive

By David Owen

Mr John Major yesterday launched a last-ditch attempt to stave off disaster for the Conservatives in Thursday's European elections by stepping up his attack on the dangers of greater European integration.

The prime minister used a wide-ranging television interview to emphasise that his "instincts" were not in favour of a single European currency and to predict that the European Union would "break" if it did not develop more flexibly.

But, as the main parties reduced the intensity of their campaigning to accommodate yesterday's commemoration of the fiftieth anniversary of the D-Day landings, Mr Major declined to predict the election's result.

A recent opinion poll put the Conservatives in third place more than 30 percentage points behind Labour, suggesting the party could be reduced to a handful of seats.

Such e result, coming within a month of the Tories' local election humiliation, would revive doubts about Mr Major's leadership and lead to renewed speculation that a challenge to the prime minister could be mounted this autumn.

The Conservatives currently hold 32 seats in the European parliament, compared with 45 for Labour. A haul of fewer than a dozen seats this time around would be regarded as a serious setback for Mr Major.

Interviewed on BBC Television, the prime minister said his opposition to a single European currency had "always been more in practice than in principle", while adding that his practical objections were "very real."

Prime minister John Major and Conservative party chairman Sir Norman Fowler face an anxious week in the run-up to Thursday's elections to the European parliament Picture: Tony Andrews

"My instincts are not in favour of it," he said. "I can conceive of circumstances a long time in the distance where it might possibly be in our economic interests . . But I don't believe myself that those circumstances will apply if ever for a very long time . . not this side of the turn of the century."

The prime minister said that to argue for the flexibility of a "multi-speed" Europe, as he did at a rally at Ellesmere Port last week, was not to argue against the European Union.

Europe had "slowly, unobtrusively" been moving in that direction for some time, he said. The EU had to develop in a more flexible way. "I believe if it doesn't then it will break," he said.

He said he did not see any areas where there was a case for extending majority voting.

Pressed on his own future, Mr Major said that the government had a five-year programme and that ha expected to carry it through. It would be "perfectly proper" for someone to use the party's leadership procedure to mount a challenge in the autumn. If that happened, "I will take on whomsoever the contestant may be and I would hope and expect to beat that contestant."

He said he would "pick my own time" for the cabinet reshuffle, expected during the summer.

For the Liberal Democrats, Sir David Steel, foreign affairs spokesman, attacked the government for being "shackled" by the Euro-sceptics on their own backbenches.

Labour concentrated on pressing home its assault on tax where it hopes the primary focus of the campaign will rest.

Probe into market-making at Stock Exchange

By John Gapper, Banking Editor

Britain's director-general of fair trading, Sir Bryan Carsberg, has launched a new inquiry into the practice of market-making on the London Stock Exchange, under which stockbroking firms buy and sell shares in publicly-quoted companies.

The Office of Fair Trading has written to market-makers, brokers and institutional investors to ask for comments on the effects of market-making, a system which is not used by other large international exchanges.

The last inquiry into market-making, which relies on large brokers providing liquidity by guaranteeing to sell or buy shares at set prices, was undertaken in 1988 and cleared the system of anti-competitive effects.

Supporters of market-making argue that it has helped London to establish a pre-eminent position among European exchanges because it guarantees investors the ability to sell and buy large block of shares.

The OFT said yesterday the inquiry was a standard re-examination of an area which had been investigated before, and had not been prompted by a particular concern that market-making had become less competitive.

The inquiry is likely to focus on the use of capital by firms that trade shares, and whether the system allows market-makers to make excessive profits by fixing large margins between their bid and offer prices.

Other exchanges tend to use order-driven systems, where offers to buy and sell blocks of shares at particular prices are posted on computer systems, and are matched centrally.

Pressure from the former director-general of fair trading, Sir Gordon Borrie, over the separation of brokers and jobbers, and minimum commissions, eventually led to the Big Bang deregulation of the City in 1986.

However, a subsequent inquiry into the privileges and obligations of market makers in 1988 found that the rules of market making on the London stock exchange were "not significantly anti-competitive".

The OFT is asking for preliminary responses this month and may then bold detailed discussions with firms involved in market-making.

Britain in brief

System 'could link lottery and benefits'

Britain's national lottery computer system could be used to pay out pensions and social security benefits, says G-Tech, a member of the Camelot consortium which will operate the UK lottery.

The company already uses a system based on the technology it has developed for running state lotteries to pay social security benefits in parts of the US.

The end of the traditional pension and benefit books was signalled last month when Mr Peter Lilley, social security secretary, told sub-postmasters that he hoped to introduce computer terminals in every post office to replace the 57m order books used to pay £80bn of benefits every year.

Mr Craig Watson, vice-president for public affairs at G-Tech, confirmed a report in the British magazine Electronics Times that benefits payments could be integrated into the network of terminals it will install to record entries for the weekly draw.

Post offices would have two swipe-card terminals: one for the lottery and one for benefit payments.

G-Tech already pays benefits to 700,000 people in New York city, and has won a contract to set up an electronic benefit transfer system for Texas.

Consumer credit figures fall

UK consumers took out 8 per cent less credit in April than in March, according to figures released by the Finance and Leasing Association today.

The figures are not seasonally adjusted, however, and may reflect the restricted number of trading days in April because of the Easter holidays.

Compared with April 1993 consumer credit showed a 31 per cent increase at £1.34bn, according to the FLA.

Business finance showed a fall in the rate of growth, with April's leasing total 17 per cent lower than a year ago. Hire purchase was up 25 per cent year-on-year.

Few disclose currency details

Only a quarter of British companies with foreign currency exposure provide any meaningful disclosure, according to Company Reporting, the monthly Edinburgh-based monitor of company accounts.

In a sample of 520 companies' latest annual reports, 76 per cent showed some evidence of foreign currency exposure but only 27 per cent of these provided significant detail.

The analysis comes as there is increasing attention on the potential liabilities which are incurred by businesses by foreign currency hedging and other derivatives or financial instruments, such as swaps and options.

Defence unions attack review

Unions representing workers in the defence sector are challenging the government's claim that support services can be trimmed without affecting defence capacity, and accusing ministers of delaying the announcement of sweeping changes in an attempt to reduce the political cost.

And they are using the European election campaign to focus attention on the prospect of tens of thousands of job losses.

Mr John Clark, head of the Ministry of Defence section at the NUCPS civil service union, said the unions wanted a "proper strategic review" of military spending.

Mr Malcolm Rifkind, the defence secretary, has promised a statement soon on the results of the Defence Costs Studies, an effort to trim £750m from the ministry's budget without compromising military capability.

But Ministry of Defence trade unions expect 15,000 civilian and 10,000 military posts to be shed as an immediate result of the DCS.

And my spouse came along too

International companies increasingly find that employees are married to people who have their own job, career, and income which they don't want to leave behind. Bobby Meyer considers the implications

It may not be the biggest constraint on their global expansion, yet a growing challenge for the personnel departments of international companies is how to accommodate the so-called "trailing spouse".

One of tha most common reasons for an employee'a refusal of an overseas posting is the disruption caused to his or her partner. Not only is the spouse's career jeopardised, the dual income disappears, too.

Failure to tackle these issues has significant implications for companies. There is the obvious headache of finding someone else to go in their place when executives turn down an international assignment – as one in three in Britain does, according to the consultancy Organisation Resources Counsellors. But there is also a financial impact. The Confederation of British Industry estimates that restricted mobility is costing UK companies as much as £500m in lost business opportunities a year.

By 2000 an estimated 75 per cent of relocating executives will be involved in dual-career partnerships, and yet few companies give the issue the attention it deserves. ORC found that while almost three-quarters of a sample of American and European companies admitted to a dual-career relocation problem, few had plans to tackle it.

Many companies still use policies developed in the 1970s and 1980s, with the result that little or no account is taken of the spouse's career. The spouse is seen as the back-up, expected to organise the move, entertain and be prepared to uproot the family again, often at short notice.

Companies too often assume that the only remedy is to compensate for lost income, but there are other ways of dealing with the issue. Employers, for example, have easy access to training expertise and recruitment information, as well as their overseas networks. They can help spouses obtain work permits; ORC found that 42 per cent of European companies are already doing this, compared with 15 per cent of US companies.

The companies can provide career counselling, which can be valuable preparation for a new life abroad. Too often the spouse is left to fight for help; that takes a strong personality, particularly when speaking out may jeopardise the partner's prospects.

The more enlightened companies advise against a blanket approach. Realising that each case must be assessed on a highly individual basis, and that the conditions in the host country also need specific consideration, the international chemical company Monsanto in Brussels has developed what it calls a "cafeteria approach". Kristien Debougnoux, responsible for Expat Policies, explains: "The intention is to eliminate as many barriers as possible to an international assignment for dual-career families."

Monsanto offers some compensation for loss of income to the trailing spouse (linked to the employee's salary level). It also tries to help spouses develop skills in their own field or a new endeavour. Perhaps most important of all, the spouse gets help re-entering the home job market when the assignment is over. Monsanto also helps indirectly as one of the corporate sponsors of Focus in Brussels, a networking and career resource centre operated by volunteer expatriate spouses.

The oil company Shell, with 5,600 expatriate staff in 100 different countries – is currently analysing the outcome of a large survey commissioned from the independent organisation International Survay Research. A long, detailed questionnaire was sent to expatriates and their spouses in 35 countries, as well as to couples who had been or might be expatriates. The 70 per cent return rate was "exceptional", says Mike Cloughley, special projects manager for human resources at Shell.

Overall, Shell expatriates seem to be a happy bunch, with 88 per cent expressing satisfaction. The company's handling of expatriation, however, drew some criticism, with only 60 per cent saying they were satisfied. At this point there were some revealing comments from spouses.

The dual-career problem and separation from school-age children were two of six main issues highlighted. For Cloughley, a big worry is that these two factors have emerged as the main reasons for restricted mobility among staff aged under 30 – the ones specifically recruited for their willingness to "go anywhere, anytime".

Not everyone, though, thinks that the answer is to bow to UK expatriate needs. On future mobility trends, Alan Chester, operations director of Employment Conditions Abroad, suggests that "mobility may have to come from parts of the world where people are still prepared to be mobile".

Meanwhile, the spouses themselves have not been idle. In cities such as Brussels, The Hague, Geneva and Paris, women have set up counselling and advisory services of their own. London, too, has a non-profit resource centre for international residents, Focus Information Services, run by a voluntary staff of expatriate wives.

Focus runs a monthly job group and a series of seminars on interviewing techniques, CVs, cultural adjustment and other issues. Multinationals such as AT&T and General Electric of the US provide sponsorship.

Working Partners, co-ordinated from Belize by Gill Mackilligin, uses the United Nations network as a worldwide link for expatriate spouses. "The talents and efforts of thousands of trained professional people are going to waste, often in countries where the very skills they possess are in desperately short supply," sha says.

There is a strong emphasis on project and job creation and the training of local people, rather than taking jobs away from them. Working Partners began in 1990 as Spouses for Development and was adopted as a programme of the World Federation of United Nations Associations in November 1992. Pilot Working Partners programmes are already in operation in the UK, Switzerland, US and Belize and by 1995 it is hoped that expansion will cover a further 23 locations.

In London:
Working Partners
c/o United Nations Association (UK)
3 Whitehall Court
London SW1A 2EL

Focus Information Services
Tel: 071 937 0050; Fax: 071 937 9482

In Brussels:
Focus Career Services
Tel: 322 646 6530; Fax 322 646 9602

In the Netherlands:
Cope International
Tel: 31 70 392 4003; Fax: 31 70 360 3575

Tips for a moving experience

If you lose your job tomorrow, at least there is a network to help you pick up the pieces. Break off your career to follow your husband or wife to an overseas posting, though, and things are very different. Not only do you lose your job, income, colleagues, perks and pension; you lose an important framework to your life and part of your identity.

Living in Moscow for four years, from 1987, taught me a lot about myself and my inner resources. At the time I saw my attempts to find work in terms of filling the gaps in my cv. Now, I realise that I was training myself for life back in the UK to which my husband and I both returned in the middle of a recession without a job.

Moscow was a hostile city at the time: no map, no telephone directories, no public libraries, no information on offer and "no entry" signs everywhere.

A previous posting in Madrid had already taught me some important guidelines: set yourself goals before you go. Network all the time, even back home on leave. Tell everyone what you are doing and what your plans are. I never cease to be amazed at people's generosity with contacts. Keep working on your image. Always dress in a business-like fashion and you will be taken seriously. Have visiting cards printed on day one and call yourself what you are planning to be. It helps to put you in the right frame of mind.

Channel your anger, frustration and feelings of powerlessness into positive actions. Start on a project of your own as soon as you can – anything, as long as it really interests you. I researched Soviet publishing houses and because I marketed myself hard on leave in the UK, *Publishing News* soon asked me to be its Moscow correspondent. I built up work as a publishing agent, freelanced as a journalist and enjoyed doing photography to back up my articles.

DESERT ISLAND MANAGER

John Hegarty

Should John Hegarty be stuck on a desert island there would be a lot of upset entrants in the London Evening Standard's fantasy advertising league. Such is his repntation within the industry that the creative director of advertising agency Bartle, Bogle, Hegarty figures as star striker in the vast majority of top team selections.

If you could take one person with you who would it be?
Michelangelo would be good because he was one of the great art directors. But then the church was ona of the first great advertising clients. He and I could have good conversations about how we visualise things.

Which additional item would you need for the beachside office, apart from a fax and telephone?
A lay-out pad so that I could put ideas down. If ideas stay in your head they forever perambulate around. The frustration of not being able to put them on paper would drive me mad.

Which extra sanity preserver would you opt for?
I would probably learn about the flora and fauna. I detest gardening. My father was a gardener and I think you always rebel against what your parents did. So although I loathe it, I realise I am missing out.

What would you dislike abont being on the island?
Perennial sunshine. The fact that it rains a lot in Britain makes us think more. I would hate constant sunshine although it is nice to have on occasions.

And like?
An uncomplicated life. The ability to concentrate and not be diverted, to be able to focus your mind.

Some food and drink that you would enjoy?
If I'd asked Michelangelo, I would probably go for pasta because it would suit him, although with my Irish heritage I would also like to go for the potato. They are underrated and seen as a commodity. But then, sitting there with Michelangelo we would have some pasta and I would have a nice bottle of chianti.

A film for after dinner?
The Godfather, and I would hope to cheat and take the trilogy. It is the most perfect film in terms of photography, music and the themes it explores.

Something to read?
James Stephens's *The Crock of Gold* which is all about two philosophers arguing about the meaning of life. It contains a line which I have always found very profound: "What the heart knows today, the head will know tomorrow."

You can send a message in a bottle from the island, what would it be?
"Remember that good is the enemy of great."

On your island, you can impose one condition:
That I would only be there for a limited time. Knowing we have a limited amount of time makes us productive. I've always thought a great description of hell would be eternal life because there would be no reason to do anything then.

Christine Buckley

Is your boss Britain's meanest?

LUCY KELLAWAY

There is a new generation of British bosses out there. They are egalitarian, intelligent and highly principled. They are hardworking and meritocratic. They live by their corporate mission statement and strive to offer their customers the very best value.

So says City journalist William Kay who has just interviewed two dozen of the new guard for his book *The Bosses*. After hearing *ad infinitum* about their flat management structures and modern management methods, he has jumped to the conclusion that the flashy old captains of industry are gone, and a more homogenous group of deserving high-flyers has replaced them.

I don't buy it. The average boss may be brighter than before – after all, business has got harder, so also-rans tend not to make it. But are our corporate leaders really more fair minded? More egalitarian? Human nature being what it is, surely there are as many boors in the boardroom as ever before?

For every executive with the admirable qualities that Kay has found in his research, I bet there are just as many successful bosses who are bullies, tyrants or impossible to work for. I could list a few off the top of my head but that would get me into trouble. Therefore, I am passing the buck and inviting readers to nominate their own candidates for Britain's meanest boss.

The rules are as follows:

- The bosses must be chairmen or chief executives of Britain's biggest 350 companies.
- Relevant criteria include: intimidating or unreasonably demanding behaviour; tantrums, abusive language, failure to listen, impatience, ruthlessness, bullying, intransigence, intolerance, unpredictability, arrogance, vindictiveness.
- Readers may nominate up to three bosses each, listing them in order of meanness. It is not necessary to have worked for any of them directly, bnt anecdotal evidence should have been collected.
- All nominations should state in a few words why each candidate deserves to be considered for the Financial Times Mean Boss Award.
- Nominations sent in anonymously will be accepted. Signed nominations will be treated with the utmost discretion.
- My decision will be final.
- Nominations should be sent by post to: Lucy Kellaway, Financial Times, Number One Southwark Bridge, London SW1 9HL, or by fax to 071 873 3196.

If anyone from the Economist is reading this, they may be feeling vindicated. That periodical has just published a leader complaining that the British view "trade" with suspicion and liken all entrepreneurs to that shady character Arthur Daley in the TV comedy *Minder*.

Let me set the record straight: I do not hold British businessmen and women in low esteem. On the contrary, some of my best friends, etc etc.

My point is that some of the people who have got to the top in business – as in politics, and any other area you can mention – are power-crazed and difficult to work for. The magazine's view is at least a generation out of date. Businessmen are better known and better respected than ever before. People at the Economist must watch nothing other than sitcoms or they would have noticed the popular new genre of business documentaries on subjects such as venture capital which are watched by millions. If they still need convincing, they should invest in Kay'a glowing book.

Our nanny has just regaled me with the story of a friend who has got a job looking after one docile baby for £140 a week net plus a two-bedroomed flat and a car.

It was not the unfavourable comparison with her own terms and conditions that took me aback. It was that the balance of power between us had shifted: throughout the recession it was she who was lucky to have an acceptable job. Now it is I who am lucky to have a (more than) acceptable nanny.

When I advertised in *The Lady* a year and a half ago I had 70 desperate replies. A friend who last week placed a similar ad received only four. The story at London's nannying agencies shows this to be no freak. They say they are finding jobs for 30 per cent more nannies every week than they were six months ago.

This is the most tangible sign I've seen that the economy is picking up, and that confidence is well and truly back – among London's professional classes at least.

During the recession, freelance women fired their nannies as soon as they feared their work might be drying up, only to reemploy them once they started feeling more optimistic. *Similarly*, women who do not work get rid of the nanny the minnte their husband's job looks precarious, but once he seems more secure, they are on the phone to the nanny agency in no time.

Anyone who is not impressed by this powerful new economic indicator should try to book a table at Quaglino's. A few months ago yon could have walked in off the street. Now two weeks' notice is required.

CONTRACTS & TENDERS

PRE-QUALIFICATION TENDER EXERCISE FOR A FUTURISTIC THEME PARK IN SINGAPORE

AIM

The Singapore Science Centre, as part of its long-term expansion plans, is ioviting iovestors to desigo, develop and operate an educatiooal hi-tech theme park io Singapore. Located oo 3.75 hectares of prime recreatiooal land beside the Singapore Science Ceotre's premises, the project offers excitiog opportunities for investors worldwide.

CONCEPT

The concept of "Edutainmeot"- that of haviog fuo and learniog about science and techoology at the same time, will be the hallmark of this scieoce theme park. The Centre has available for investors a prelimioary coocept plan for the theme park setting oot a possible thematic desigo which investors may study as a suggested guide. Iroo rides, dark rides, simulators, animatrooic shows, special theatres, live cotertainment, etc. would be employed to give the visitors a total seosory experieoce.

INCENTIVES

This project offers excelleot opportnoities for private and corporate investors seekiog investment opportuoities in the leisure industry. Singapore, being the tourist hub of the Southeast Asian regioo, attracts more than 6 million visitors aooually. Siogapore also boasts of a stroog ecooomy, high creditworthiness aod extensive air-links to over 50 couotries. With attractive tax incentives designed to beoefit both foreign and regional iovestors, total cumulative iovestments in Singapore at the end of 1991 amounted to S$S4.6 hillion. Based on the educational element of this theme park, attractive rates for the 30 year land lease as well as tax incentives are expected.

Additiooally, the Science Ceotre already possesses a firm infrastrnctnre aod provides a stroog base of a millioo visitors every year to its current facilities oamely the Scieoce Ceotre aod the Omoi-theatre. Through complemeotary architecture, laod planning aod themed environmeots, the Scieoce Centre, the Omni-theatre aod the Theme park would be linked to form ao integrated, unified, futuristic Scieoce Complex. With its realisatioo, this futuristic Scieoce Complex would be the first of its kiod io the regioo.

PROJECT DOCUMENTATION

Iovestors are iovitcd to submit their desigos aod proposals to set up this theme park. An iovestor's package cootainiog the cooditions of the teoder excrcisc, the preliminary concept plao aod a visual presentatioo oo video cassette (VHS(PAL)) may be obtained from the Ceotre at a cost of US$150. Please fax or write by 31 July 1994 to thc following address :

Investors' proposals for the theme park should be sent in by **30 September 1994**

Singapore Science Centre
Science Centre Road
Singapore 2260
Republic of Singapore
Telephone (65) 560-3316
Facsimile (65) 565-9533

SINGAPORE SCIENCE CENTRE

Cyprus Petroleum Refinery Ltd

DEBOTTLENECKING PROJECT PREQUALIFICATION

Cyprus Petroleum Refinery Limited (CPRL) are proposing to debottleneck their Crude Distillation and Hydrotreater Units as well as build a 24.000 cubic meter floating roof tank at their 18.000 barrel per day refinery at Larnaca.

Consideration for inclusion in the selected list of tenderers will only be given to contractors with previous experience in the design, procurement and construction of refinery or petrochemical projects. They will be required to demonstrate their ability and experience in Process Design Engineering. The successful contractor will be required to guarantee both the expected increase in capacity as well as the forecast performance.

Contractors wishing to be considered for inclusion in the selected list of tenderers can obtain the prequalification questionnaire as well as a description of the envisaged modifications incorporating the relevant PI diagrams, for an amount of Cyprus Pounds 1,000.00. Only contractors who have responded to this notice by 17th june 1994 will be considered further. Such contractors will be issued with prequalifications questionnaire after this date.

Interested contractors are requested to apply to the General Manager, Cyprus Petroleum Refinery Ltd., P.O. Box 275, Larnaca - Cyprus, enclosing the amount of Cyprus Pounds 1,000.00.

THE EUROPEAN COMMISSION
intends to launch a new

call for tender

for the translation of technical regulations and standards communicated under Directive 83/189/EEC.
The publication of this call for tender in the Official Journal of the European Communities is planned for mid-June 1994. Expenditure on the services to be provided is expected to amount to a maximum of approximately ECU 22 million over a three-year period.

The work will involve:
- ☐ highly technical texts;
- ☐ very strict deadlines;
- ☐ large and variable volume (750 pp/month, with peaks of app. 1200 pp/month);
- ☐ translation from all the official languages of the European Union (i.e. Danish, Dutch, English, French, German, Greek, Italian, Portuguese, Spanish) into all the others;
- ☐ management of the entire procedure from the receipt of the technical regulations and standards to the delivery of the translations.

Further information on the nature of the work and the award procedure can be obtained from
Miss S. VANHAL,
Rond-Point Schuman 5,
B-1040 Brussels.
Tel.: 32-2-296.61.48.
Fax: 32-2-296.08.51.

PUBLIC NOTICES

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

Notice is hereby given that the first Annual General Meeting of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at 28 St Andrew Square, Edinburgh on Thursday 16 June 1994 at 2.30 pm for the following purposes:-

1. To consider the Company's Report.
2. To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.
3. To reappoint the Directors of the Company retiring by rotation at the Meeting, namely:-
   (a) The Rt Hon Lord Younger of Prestwick KCVO TD DL
   (b) Barry E Sealey CBE BA
   (c) Charles F Sleigh CA

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary (at the following address), must be deposited at 28 St Andrew Square, Edinburgh before 2.30 pm on Tuesday 14 June.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, has been at least one year in force is entitled to attend and vote at the Meeting.

'Qualifying Policyholders' for the purposes of this Meeting comprise any person who was a member of Scottish Equitable Life Assurance Society (the Society) and whose policy, having been transferred from the Society to Scottish Equitable plc, is still in force at the commencement of the Meeting.

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary (at the address specified below).

By Order of the Board
P H Grace
Managing Director

28 St Andrew Square, Edinburgh EH2 1YF

LEGAL NOTICES

The Trade Mark set out below was assigned on 27 May 1992
By: LEISURETIME INNS PLC
To: GROSVENOR INNS PLC
THE OLD SCHOOL HOUSE
LONDON ROAD
SHENLEY
HERTFORDSHIRE
WD7 9DX
Without the goodwill of the business in the goods for which the Trade Mark is registered. Trade Mark No: 1351156. Mark: SLUG AND LETTUCE. Goods Specification: Hotel, restaurant, public house; all included in Class 42; but none being provided within a radius of ten miles of Stratford-Upon-Avon and Newcastle-Under-Lyme and Wishfield, Berkshire.

PERSONAL

MEDIA FUTURES

Doing cyber business

Every two minutes a new user hooks into the Internet, a system that could revolutionise global trade. Louise Kehoe reports

Solo travellers on the Internet "information highway" are being overtaken by the digital equivalent of 16-wheel juggernaut trucks, as businesses begin to transport large quantities of data through cyberspace. The system is being transformed into e global electronic marketplace that could change the way world trade is conducted.

The Internet, a global system of computer networks, now links an estimated 2.2m computers and over 25m users in 137 countries. New users are hooking up at the rate of about one every two minutes.

Originally a US government-funded programme in the late 1960s, to electronically link researchers at US universities and government laboratories, the Internet was in theory closed to commercial activity until about two years ago.

Now companies are rushing to take advantage of the system as e low-cost route for international electronic mail. Computer companies have led the way. Digital Equipment, one of the heaviest users, has over 31,000 computers linked to Internet and exchanges an average of 1.7m e-mail messages per month with people outside the company.

To date, however, very little commerce is actually being transacted in cyberspace. Most companies have been reluctant to trust sensitive business data, purchase orders or credit information to the unregulated network. But that could be about to change. A group of Silicon Valley companies and organisations has joined forces in an attempt to pioneer the use of the Internet as a new medium for trade among high technology companies by creating an electronic marketplace called CommerceNet.

If successful, this "could revolutionise both regional and foreign trade", says Marty Tenenbaum, chief executive of Enterprise Integration Technologies (EIT), a research firm leading the development of CommerceNet, together with Stanford University's Center for Information Technology and the Western Research and Educational Network (West Ren), a non-profit group that operates the Northern California portion of the Internet.

The CommerceNet consortium is funded by a $6m US government grant, through the Department of Commerce' Technology Reinvestment Program which is being expanded by the Clinton administration as part of its technology development policy. The group will obtain matching funds from the companies, state and local agencies that have agreed to sponsor the service.

CommerceNet is tackling the problems that have discouraged companies from using the Internet for buying and selling goods and services, notably the complexity of navigating the Internet and lax security.

The first problem can be overcome with a new "point and click" interface program called Mosaic, developed by the National Center for Supercomputing Applications (NCSA) at the University of Illinois at Urbana-Champaign. Distributed free via the Internet, Mosaic is rapidly gaining popularity as an easy-to-use method to gain access to information resources on the Internet.

Mosaic will enable companies to place "virtual store fronts" on the Internet. Buyers can tap into these store fronts, browse through catalogues of products – which may include pictures, diagrams and even video clips – call up order forms and transmit their orders directly to the seller.

However, security remains a seriuus concern for business users. The public network is particularly vulnerable to computer "crackers", as demonstrated by e receot rash of password interceptions involving tens of thousands of Internet users.

To address this problem, EIT is working with RSA Data Security, the leading US encryption technology company, tu develop e "secure" version of Mosaic.

CommerceNet will provide participants with euthenticatioo, authorisation and data encryption programs so that buyers and sellers can safely exchange sensitive information such as credit card numbers and bid amounts, sign legally enforceable contracts, maintain audit trails, and get paid through co-operating banks.

Until such software is available, CommerceNet participants will proceed cautiously. Most say they will provide on-line product catalogues and literature and enable orders to be placed via the Internet. For now, however, they will stop short of completing financial transactions. Nevertheless, CommerceNet is an important testbed fur "commerce in cyberspace", say participants.

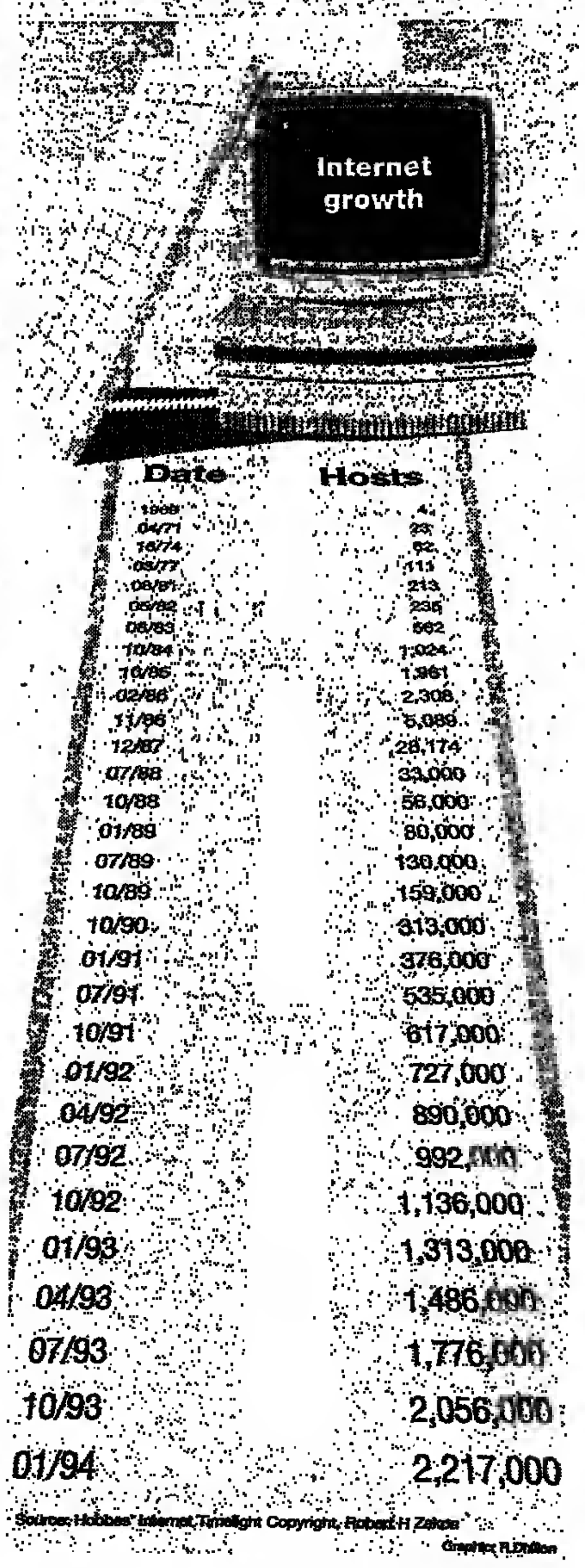
"We expect to gain valuable insights and experience concerning electronic commerce, and to offer a broad range of business information and services via CommerceNet," says Peter Meekin, of Dun & Bradstreet.

Hewlett-Packard and other manufacturing companies that are already using private networks for exchanging order information with their customers and suppliers see CommerceNet as a potentially cheaper elternative that could be used to expand their electronic selling activities.

"It will be another mode of electronic commerce, another tool in our tool kit," says Sandy Whitson, EDI business manager at HP. The company will move cautiously, she says, but is keen to explore the potential of public network electronic sales which could reach a broader range of customers than existing systems. While CommerceNet is currently focused on "business-to-business" transactions within a tightly-knit group of about two dozen companies, its founders have ambitious goals.

"I believe that in two to three years you will see as many as 100,000 companies using the Internet as a principal sales and service channel," says Tenenbaum. CommerceNet itself will be handling business transactions for as many as 3,000 companies by the turn of the century, he predicts.

Business booms in cyberspace



Source: Hobbes' Internet Timeline Copyright, Robert H Zakon
Graphic: R.Dhillon

How to join the system

How do businesses get on the Internet? The answer to this FAQ (frequently asked question, in "netspeak") depends to a great extent ou the size of an organisation, the number of people who will be using the Internet and how much use they plan to make of it.

The basic requirements are simply e personal computer, with a modem, and an account with one of the numerous companies that offer Internet access. Two that offer their services internationally are ANS (313 663 7610) and SprintLink (703 904 2230), both of the US.

To take advantage of the latest software, such as Mosaic, which makes access to Internet resources relatively simple, e high-powered PC such as those based on Intel's 486DX or Pentium chips is recommended. The modem should be designed to send and receive data at 14.4 kilobauds. Slower modems, although cheaper, will keep you waiting interminably if you attempt to access any document containing graphics.

Also, to use Mosaic you must have a direct link to the Internet, known as a PPP or Slip account. This enables your computer to exchange data in "packets" directly with other computers on the Internet. Prices vary, but in the US they are typically about $20 per month plus $2 per hour connect time.

Businesses with several users tapping into the Internet may choose to install a dedicated, high-speed telephone line, which makes access more efficient. Routing equipment is needed to link local area networks to the Internet. Security systems may also be desirable.

There are numerous books about the Internet. Most, however, are aimed primarily at individual users. An exception is Mary Cronin's *Doing Business on the Internet; How the Electronic Highway is transforming American Companies*, published by Van Nostrand Reinhold at $29.95. Written for business managers, rather than computer experts, it offers a readable introduction to the Internet's business potential.

Mind your Internet manners

Businesses venturing into cyberspace are well advised to observe the "netiquette" established by the community of researchers and computer enthusiasts who still dominate most of the "newsgroups", or special interest discussion groups, on the Internet.

Rule number one is that any attempt at unsolicited business promotion is unacceptable, except in areas of the Internet specifically designated for commercial activity. Violators of this rule are regarded as the on-line equivalent of vandals who daub buildings with graffiti, and they are likely to provoke angry responses, known as "flame mail".

In extreme cases, this can effectively force violators off the Internet. A US legal firm, for example, has been ostracised by the Internet community for posting on thousands of newsgroups messages that advertised its services to immigrants seeking US visas.

Outraged Net users bombarded the law firm with over 35,000 messages, most of them complaints, crashing the computer of the local Internet access service through which the law firm accessed the Internet.

This incident, together with rising concern about the distribution of sexually explicit messages on the Internet, has created broad debate about freedom of speech in the world of electronic communications. Until more specific guidelines are developed, businesses looking for customers on the Internet should tread carefully.

Dual security gates

Digital Equipment, the US computer group, last month announced an Internet security service based on the technology and expertise that it has developed to protect its own networks.

The decision to establish links between a company's computers and the Internet involves balancing risks and benefits, says Jim Hogan, vice president of global communication and information processing services at Digital. For many companies, protecting the integrity of internal computer systems is paramount, but the advantages of Internet access are also compelling.

Digital's system incorporates two "gateways" that in effect build "firewalls" around internal networks, protecting them from unwanted intruders.

New billboard on the highway

Mecklermedia, a US technology publishing group, last week launched "MecklerWeb", an electronic communications and marketing system aimed at businesses that want to have a "corporate presence" on the Internet.

For $25,000 per year, MecklerWeb will provide companies with a billboard on the electronic highway; a place to present their product information, corporate messages and news.

This is unlikely to cause offence in the anti-advertising culture of the Internet, however, because the group will not distribute promotional materials. Instead it will provide a commercial catalogue that users may choose to browse at will.

"Cyberspace is not a mass market," says Christopher Locke, president of MecklerWeb. "You don't have to target audiences, they self select. The real opportunity here is not traditional advertising, but rather a new method of building business relationships and achieving market presence." MecklerWeb will be organised into broad topical areas of interest such as law, medicine, sports and technology. Within each, sub-groups and specialties will be arranged in an hierarchical structure. As well as the corporate information, MecklerWeb intends to create discussion groups that could lure potential customers. The group is inviting professional associations to serve as "hosts" to the various subject areas, moderating discussions and organising multimedia content. Such groups will receive a share of the fees paid by companies that participate.

WORKING LIFE/SPORT

FINANCE

Share option tax options

When UK executives make a killing overnight out of their share option schemes, their smiles can be wiped away at the thought of the tax they will incur on cashing in their windfall. Gains are liable to capital gains tax 40 per cent for a higher-rate taxpayer.

What can be done to bring down the tax burden?

A share option gives the holder the right today to acquire tomorrow shares in his company, at today's price. In a conventional Inland Revenue-approved executive scheme, this can be any time during the period of seven years following the third anniversary of the day he was given the right.

The main tax-planning tool is the annual CGT exemption of £5,800 – not enough to shelter substantial gains. For these, David Cohen, partner in the City law firm of Paisner & Co, suggests spreading disposals over more than one tax year and involving a spouse.

He gives the following example: "Suppose that Judith has an option to buy 10,000 shares for 150p each and she exercises it in June 1994 when the price has risen to 400p. Full CGT on Judith's gain of £25,000 (10,000 x 250p) would amount to £10,000, pushing back her net profit to just £15,000.

"On the assumption that Judith has no other taxable gains, she can sell tax-free approximately 2,300 shares in this tax year and (assuming no change in the share price) a further 2,300 in the tax year which begins on 6 April 1995."

However, he warns executives against exercising in each tax year only the number of shares which they plan to sell in that year, in preference to exercising the whole option (that is, buying the shares) and then selling them over a number of years. "To do so would be a painful blunder. If an executive option is exercised twice within a three-year period, the profit on the second option will be fully taxed as income, thereby scuppering any chance of using the CGT exemption."

Instead, it is possible for those who are married to exploit their spouse's CGT-saving potential. A gift of shares will generally be treated as a disposal by the donor at market value but this rule does not apply to transfers between spouses.

So Judith's husband, Alan, can receive and sell 2,300 shares in this tax year and in 1995/96 without incurring any CGT.

"As a result of a combination of patience and marital teamwork, 9,200 shares will have been cashed in tax-free. Even if the remaining 800 shares are taxed, the taxable gain will have been reduced from £25,000 to £2,000 thereby boosting the net profit from £15,000 to £24,200 – a 61 per cent rise."

Holders of savings-related options have even more flexibility. "Up to £3,000 worth of shares acquired on the exercise of such options can be transferred annually into a single company personal equity plan," says Cohen. "The transfer will be tax-free provided it takes pace within 90 days of exercise and from then on the single-company Pep will give complete protection against income tax on dividends and CGT on sale." Unfortunately, this privilege does not apply to holders of executive options.

By Scheherazade Daneshkhu

HEALTH

Outside help for troubled workers

A statistical portrait of employees today does not amount to a cheery picture.

Consider that one in three marriages breaks down. One in seven people will have a degree of mental illness during their working life. One in ten employees suffers from an alcohol problem.

These difficulties are not left behind when an employee comes to work. "Frequently stress in domestic life has knock-on effects at work," says Dr Michael Turner, chief medical officer at Texaco, the oil company.

To help workers deal with personal and professional anxieties, more than 80 per cent of companies in the UK offer some form of stress counselling. About 4 per cent now use specialised external counselling services, known as Employment Assistance Programmes.

EAPs function as one-stop shops for employees to phone for legal, financial or psychological help. Each employee is given a telephone number where EAP staff are permanently on-call. Most services also offer face-to-face counselling which can be arranged within 48 hours of a phone call.

The company pays for a specified range of services on a per capita basis and all employees and their families can use the EAP for free. Services cost about £18 to £45 annually per employee.

All services are confidential. The employer may receive statistical feedback about employee up-take and types of services requested, but individuals who use the EAP are never identified.

Such anonymity helps employees who fear black marks on their personnel records if they discuss anxieties with their managers. "If people are going to receive counselling they do not want to have it from within the company," says Cheryl Mann, training and development consultant at Sun Alliance, the insurance company, where almost 20 per cent of staff use the services of Independent Counselling & Advisory Services, the company's contracted EAP.

EAPs are also able to draw upon a pool of counsellors, rather than depending on one or two company medical officers. "The difficulty with having services in-house is that the nature of enquiries are very varied – financial, legal, domestic," says Turner. "To find one person who is an expert in all these areas is impossible. The point of EAPs is that they have many experts."

ICAS, which has 45 EAP contracts, has 400 contracts with counsellors around the country. Personal Performance Consultants, another EAP which serves 96 companies, has 55 counselling staff and calls upon an additional 150 freelance therapists.

Currently 10 to 20 per cent of employees in companies with EAP contracts phone for help at least once. Alistair Anderson, managing director of PPC, believes the number of employees seeking counselling help, as well as the number of companies contracting with EAPs, will increase sharply in the next decade.

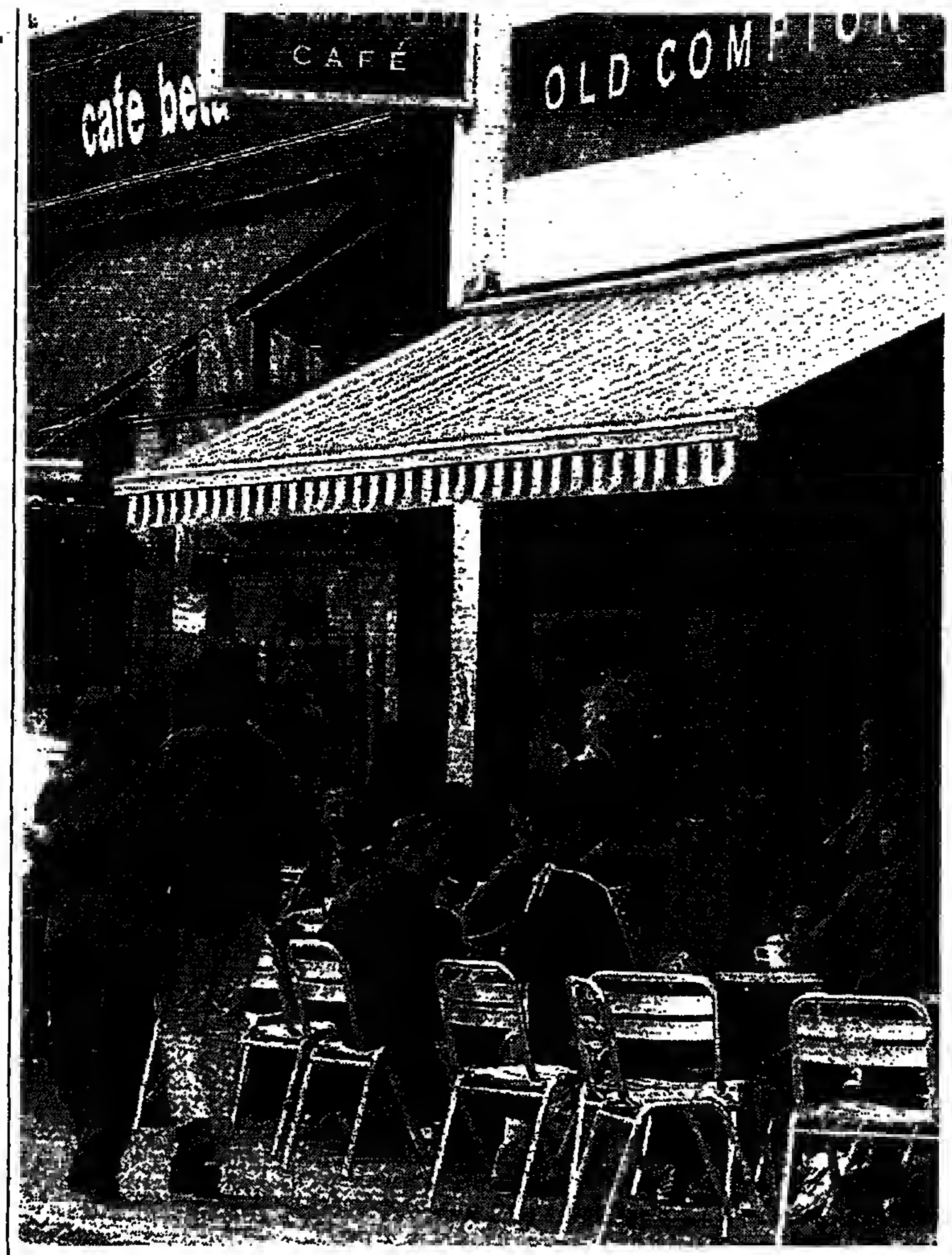
"There are a whole range of pressures in the workplace and the level of awareness of counselling and its value is increasing," he says. "Suddenly external counselling services are seen as the answer." But external services are not always perfect for companies. "The potential downside of outside EAPs is thet they do not know about the organisation," says Prof Cary Cooper, Professor of Organisational Psychology at the University of Manchester Institute of Science and Technology. "So they are treating the individual but they cannot see if there is something grossly wrong in the organisation that is causing illness."

Cooper, who is studying the effectiveness of EAPs in the UK for the Health and Safety Executive, believes psychologists with both clinical and occupational skills will be trained in the future and be hired by EAPs.

Improving the value of EAPs will no doubt be fueled by bottom-line considerations such as reductions in levels of sickness absence, which costs the UK around £27bn a year, and increases in employee performance.

"Now line managers are beginning to see connections between EAP and performance, rather than just seeing it as a part of the company's duty of care," says Michael Reddy, chief executive of ICAS.

By Motoko Rich



READING MATTER

Mind games

Today is June 6, and here is your homily for the day. "Expand your perspective by expanding your mind. Vizualize in rich detail. Involve as many emotions and feelings as possible."

There are plenty more where that one came from, 364 to be exact, one for every day of the year in a handy pocket-sized volume that promises to help executives through life's difficult moments.

Self help books for managers are two a penny, but *Daily Reflections for Highly Effective People* is a little unusual. Most have the virtue of offering clear guidance – do x, y, z, they say, and you'll be successful. By contrast, this book is so obscure that the reader may find it hard to decipher the "daily reflections", let alone find a way of incorporating them into the working day.

"Anything less than Win/Win in an interdependent reality is a poor second best that will have impact in the long-term relationship", the book preaches for September 8. What on earth does that mean?

It would be tempting conclude that you can publish any old rubbish these days so long as you claim on the dust jacket that it will make managers more successful. However, 3m people can't be wrong. At least that number, from the US to China to Germany, own a copy of author Dr Stephen R Covey's most famous work, *7 Habits of Highly Effective People*. This said all you needed to do was to acquire seven habits – including "begin with the end in mind" and "be proactive" – and the world would be your oyster.

The latest work is aimed at the further millions out there for whom the earlier one was too long and heavy. It promises to provide the same "holistic sense of personal effectiveness and purpose" in a more succinct format. And those of us who doubt its worth, we must need the book most. Dr Covey would no doubt tell us that we are sadly lacking thet win/win habit.

Daily Reflections for Highly Effective People, By Stephen R Covey. Simon & Schuster, 369pp, £4.99.

By Lucy Kellaway

EATING OUT

The ins and outs of al fresco dining in London

During the last week of May you could not get a table outside in any London restaurant. The weather was so cold that the few permanent outdoor tables were not laid out.

During the first week of June you could not get a table outside in any London restaurant but for a very different reason. Suddenly the sun shone, the temperature rocketed to 20 degrees C and everybody wanted to eat outside.

These two consecutive weeks neatly encapsulate the dilemma facing any British restaurateur who wants to offer open-air dining, and any customer who wants to take advantage of those restaurants with relatively quiet pavements and secluded gardens. The British public, may be becoming more European in its eating habits but the British weather remains firmly British – unpredictable even in the short term.

This unpredictability also makes it difficult for the restaurateur to know what to offer. When May and June are fine nothing can better a truly British meal of fresh asparagus, cold poached salmon and the first of the summer's strawberries with Devon clotted cream. The dilemma is how many to cater for.

If the sun shines then everyone wants this combination. If it does not, then nobody orders it and a lot of unwanted food goes to waste. When, as I did as a restaurateur, you prepare 30 meals such as this for a restaurant that can seat 100, you are sure to please the first 30 customers who will have ordered this by 13.15 – but you will disappoint many of the other 70.

When the sun does shine there is a mad panic among cafe owners, restaurateurs and publicans to move every available chair and table with four stable legs out of doors and on to a relatively level piece of pavement. It is, while it lasts, great fun but sadly illegal. When restaurants apply for a liquor licence the magistrates grant them on the basis of a defined licenced area within which drinks must be served. This naturally, takes account of the normal British climate not those hot days and balmy nights that sadly do not prevail for too long.

What follows is a list of just some of the London restaurants, across a broad range of cuisines, which have tables outside or open to the air. It comes with a health warning – take a jacket or a cardigan!:

Al Bustan, W1, (235 8277), Alfred, W1, (240 2566), Al Hamra, W1, (493 1954), The Brackenbury, W6, (081 748 0107), Brasserie Rocque, EC2, (638 7919), The Belvedere in Holland Park, W8, (602 1238), Cafe Lazeez, SW7, (581 9993), Dan's, SW3, (352 2718), Daphne's, SW3, (589 4257), Frederick's, N1, (359 2888), The Eagle, EC1, (837 1353), The Lansdowne, NW1, (483 0409), Montpeliano, SW7, (589 0032), Blue Print Cafe, (378 7031), Butlers Wharf Chop House (403 3403) and Le Pont de la Tour (403 8403) all SE1, Odette's, NW1, (586 5486), The Ritz, W1, (493 8181), Ransome's Dock, SW11, (223 1611), The River Cafe, W6, (385 3344), The Rock Garden, WC2, (836 4052), Sofra, W1, (493 3320) and Tutton's, WC2 (836 4141)

By Nicholas Lander

STYLE

Shirt tale

You have to be a bit careful with short-sleeved shirts at work during the summer: wearing a collar, a tie and sleeves that end just above the elbow can make you look dangerously like the man who comes round to service the photocopier. Indeed, to some, a formal short-sleeved shirt that you wear with a business suit is a contradiction in terms. On the other hand, a short-sleeved business shirt, with its implications of transatlantic style, can make you look a real go-getter, if a go-getter image is what you're after. The thing is, to chose a shirt with care.

At one end of the scale, there is Littlewoods: they will let you have a shirt for only £8.50, or £6.99 if you buy two or more – in white, colours and stripes. An Oxford weave with a button collar, comes cost £9.99 in white or blue and is quite tasteful. The biggest problem is that all are made of polycotton mixture and are completely indestructible. You can never wear them out and throw them away, even if you decide you hate them.

At the other end of the price scale, Paul Smith of Covent Garden, will do you something unique and stylish for upwards of £80. His soft, hand-stitched cotton and linen mixture shirts come with long or

short sleeves, and with a variety of collars, buttons, flaps and mysterious Paul Smith details. A white, short-sleeved Paul Smith shirt worn under a jacket will be about as commonplace as a talking oyster, but every bit as desirable to rich exhibitionists.

Then there is the middle ground. Simpson's of Piccadilly does its own-label white cotton shirt with front pocket and stiff collar for £35. Marks and Spencer, on the other hand, has a vast range of short-sleevers including: a plain easy-care cotton, or Oxford weave with a button collar (both at £19); a cotton-linen mix with button collar at £22.50 and a soft design in Italian cloth, also at £22.50.

Then again, there is always Hilditch & Key, in Jermyn Street. At £55, their short-sleeved shirts are more than twice the price of the M and S variety, and with less choice of style. They are, however, extremely satisfying shirts, and not the most expensive from this part of town. Their striped short-sleevers (blue, red and green) are ready-to-wear, but they will tailor you a plain white one from a longer-sleeved shirt at no extra cost. All have robust collars, placket fronts, fine stitching and use the best cotton poplin. In the end, the choice between M&S and H&K is between honest practicality and restrained luxury. Duck the decision: buy two of each.

By Charles Jennings

SPORT: LAURA THOMPSON

Horses for courses

Last Wednesday, on Derby Day at Epsom racecourse, I became a social revolutionary. I was walking back to the grandstand from the paddock when I discovered that my way through was completely barred. Phalanxes of policemen had formed a square around an empty, open-car and were holding up those who wished to pass. There was a clear path back to the grandstand but this was through the Members' Enclosure. Here, too, the way was barred.

After a few minutes of enforced immobility amid a throng of non-members, I confronted a security man. "You have got to let us through that enclosure," I said. No, he couldn't do that. We were not members. "We have just as much right to be here as they have. You cannot stop us moving about the course just because somebody is leaving..."

"The Queen is leaving," he said, in a shocked and pompous tone. "Listen," I said, "there are about a hundred of us and three of you. How are you going to stop us?" And, beckoning to the crowd behind me, I walked through the members' enclosure, past the morning dress, the millenary and the little badges that said "We belong."

I probably made a ridiculous figure, getting fiery-eyed about my racegoer's rights; but I felt like Wat Tyler, marching my band of peasants upon the nobility. And yet not one of the people that I was fighting for followed me into the enclosure. They had, I think, been told too many times that they had no business being there.

Most race meetings promote a glow of egalitarianism as all present submit themselves to the sport itself; they annihilate class differences. But the big occasion race meetings, thosa that attract tha stars of royalty and their attendant satellites, just as surely propagate them.

At the Derby, at Royal Ascot, I find that instead of thinking about horses, I am obsessively revolving around my mind the question of the English social structure. There are few better ways of spending an afternoon than in the atmosphere of worldly bonhomie which pervades, say, Newmarket or Goodwood; but the glamour meetings, which should be even more fun, are almost ruined by the fact that class, not racing, is the central issue.

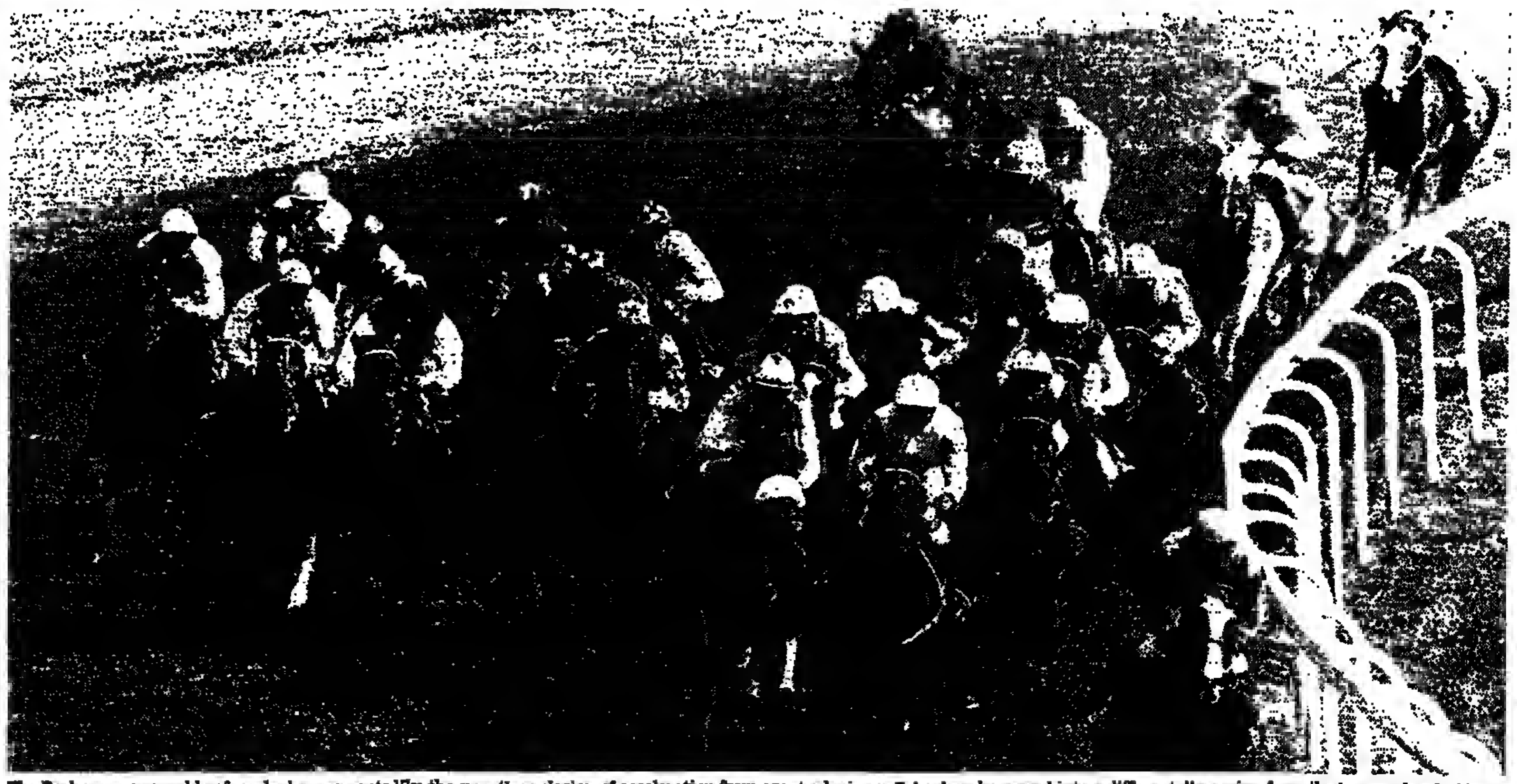
Last week's Derby Day crowd was playing up to its various class stereotypes for all they were worth. The non-members that I had tried to lead in revolution were swearing and shouting, wrenching the rings out of lager cans with formidable force and stripping off their shirts. One of them, a dangerously drunk girl in an unbuttoned suit, stumbled across the invisible electric fence which separated the grandstand from the members' enclosure. "Rosie!" screamed her beleaguered beau, "you can't go in there, you silly cow! You'll get banged up!"

Meanwhile, the members were staring at Rosie as if she were a seaside donkey that had infiltrated the parade of Derby entrants in the paddock. There eyes were cold, full of conscious superiority. They were in, we were not, and they were loving it. Every time I fell among their rigorous tailcoats and the elliptical resonance of their squeak and bray, I felt diminished, down at heel, common as muck. Every time I emerged from their territory into the miasma of the grandstand, I felt like an aristocrat. Both feelings were completely absurd, yet temporarily both were real.

In everyday circumstances – at an everyday race meeting – neither set of people would conduct themselves in such exaggerated fashion. But there is something about the segregation at these big events which has an almost fatalistic effect upon people, turning them into parodies of their class as if there was no other way that they could behave. You think we're hoi polloi? Right, mate, we'll give you hoi polloi. Upper class? Yes, my man, certainly we are upper class.

It is impossible to expect anything else, given the difference in the way that members and non-members are treated. I have attended Royal Ascot both in and out of the enclosure, and I have seen the metamorphosis of the course officials from camp commandants to cap doffers. I accept that members have paid more money, and that for this they are entitled to a little more luxury, but not to be treated as superior beings.

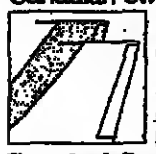
It used to be that all England would go to occasions like the Derby for the joy of experiencing the race itself. Now it seems that attendance is a more self-referential business, in which people reinforce meaningless ideas about themselves and play their part in a crude pageant. How silly this is; and how much it detracts from the event, which should be more important than the people that attend it. Especially an event which can produce a moment like the smooth explosion of acceleration from Erhaab as, his coat black and oily in the sun, he moved into a different dimension from the horses ahead of him: the moment when the obsession with top hats and baseball caps fled the mind of every person present.



The Derby: a race capable of producing moments like the smooth explosion of acceleration from eventual winner Erhaab as he moved into a different dimension from the horses ahead of him

BUSINESS TRAVEL

Canadian switch



Canadian Airlines International has now switched its London-Toronto daily service from Gatwick to Heathrow, *writes Bernard Simon in Toronto.*

Canadian, in which American Airlines recently bought a 33 per cent stake, wanted the Heathrow slot largely to cater for travellers with connecting flights to and from eastern Europe, Africa and Asia. Its flights to Vancouver and Calgary will continue to operate from Gatwick for now.

US-South Africa link

A new airline, USAfrica Airways, last week inaugurated a link between North America and southern Africa, *writes Bernard Simon.*

The airline will initially offer twice-weekly flights between Washington DC's Dulles Airport and Johannesburg, with a refuelling stop in the Cape Verde Islands. It aims to expand later to other US cities, as well as countries such as Namibia, Zimbabwe and Kenya.

The only other direct air service between North America and South Africa at present is operated by South African Airways, with flights from New York and Miami. Many travellers still fly via Europe.

Taiwan's earthquake

Visitors to remote parts of Taiwan this week should contact its embassies if they are concerned about any repercussions of the strong earthquake, measuring 6.0 on the Richter scale, which shook the island yesterday, *writes Lisa Wood.*

The earthquake killed at least one person, injured two, and triggered a landslide in the northeast of the island and a fire in Taipei.

The quake, centred near the coast about 34km south of the northeastern county of Ilan, shook buildings in Taipei and other cities.

Bangladeshi strikes

Opposition parties may continue to call strikes at short notice in Bangladesh and visitors may find travelling around the country even more difficult than usual.

Strikes can suspend normal business throughout the country and make travelling hazardous. People ignoring strikes can become targets for violence and cars or buses may be damaged or destroyed.

There has been a marked increase in night-time armed banditry on main roads between large towns in recent weeks and travel is not recommended after dark.

Travel in Albania

Public order in Albania has improved but the Foreign Office advises that it is best to have a guide outside of Tirana, the capital.

Health risks are high and medical facilities are poor. Hepatitis A and B are particular problems.

Petrol stations can be few and far between and visitors using private cars are advised to have full jerrycans on long journeys. Spare parts are in short supply or not available.

Chinese accidents

More attention to safety has been ordered by Chinese civil aviation officials after dozens of near-accidents have been reported so far this year.

The China News Service said yesterday that "several tens" of near-accidents had occurred, including aircraft going off the runway or landing at an angle, aircraft wings brushing and engines "stopping in mid-air".

China's airlines have been trying to improve their reputation after a succession of crashes in 1992 and 1993 killed nearly 400 people. The government regulatory body, the Civil Aviation Administration of China, announced plans late last year to improve maintenance and safety training.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	27	25	27	26	[illegible]
Hong Kong	28	28	28	27	27
London	23	25	18	14	[illegible]
Frankfurt	21	24	28	22	22
New York	27	26	24	23	[illegible]
L. Angeles	21	22	26	28	32
Milan	28	28	28	27	[illegible]
Paris	21	26	22	20	22
Zurich	18	23	25	19	[illegible]

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Jenny Luesby examines the prospects for Air Miles now that BA owns the scheme

Free flights of fancy

There is an office in Crawley, Sussex, that deals in dream tickets. Every day it books 2,000 of them, free, to destinations all over the world.

The Air Miles company last year had a turnover estimated at £60m. Yet last month, Mr Keith Mills and Mr Liam Cowdrey, the creators of Air Miles, sold their 49 per cent stake in Air Miles Travel Promotions to British Airways, which now owns the whole scheme.

The administration of the scheme is complex. Companies pay the Air Miles company for vouchers; it pays British Airways for flights; British Airways earns revenue on its unfilled seats; companies offering Air Miles increase their market share; and customers – who save up points through the vouchers – get free flights.

The appeal for BA may lie in the fact that only 8 per cent of the British population has begun to collect Air Miles. The rise has been rapid – for a product dreamt up seven years ago on a train from London to Liverpool – but the potential is huge.

In Canada, unlike in the UK, an Air Miles scheme launched two years ago does not include a frequent-flyer scheme, where regular travellers are awarded bonus flights. But Air Miles are now being collected by 37 per cent of Canadians.

BA aims to invest heavily in attracting loyalty among general consumers, with Air Miles issued against an increasing range of products. The scheme is exclusive to companies within a product area – with, for example, only one petrol retailer or one credit card offering Air Miles. But the variety of products in the scheme is still narrow.

Air Miles will not renew contracts with companies if it has received complaints about their quality of service.

There have been fears that growth in Air Miles would be constrained by the number of empty airline seats. This is not the case, says BA. The 2.75bn Air Miles held by customers in the UK would fill just 10 per cent of its empty seats, it says.

Meanwhile, Messrs Mills and Cowdrey have retained their intellectual copyright, and control over the international operation. In September, they plan to launch Air Miles in another European country, thought to be the Netherlands.

"The astonishing thing about Air Miles is that no one has copied it," says Mr Mills. "It has so much more going for it than a standard frequent-flyer scheme, which incurs all of the cost, but gets none of the revenue for the airline."

The use of Air Miles as an incentive for employees is an incidental sideline, says Mr Mills. Air Miles issued by employers count as a taxable perk, whereas there are no plans to tax ordinary Air Miles, which are classed with other consumer incentives such as 10p off, or a free glass.

In the meantime, he says, he still gets a tingle when he sees people at aiport check-in counters with Air Miles baggage tags. "First-time users never cease to be astonished and delighted that it works. There are no catches, it is easy, they get real tickets and they pay no money," he says.

Airports: where the price is highest

Airport charges index

Rank	Airport	Special drawing rights*	Index
1	Tokyo	39,333	100
2	New York JFK	24,199	62
3	New Jersey Newark	23,952	61
4	Frankfurt	23,492	60
5	Berlin	23,090	59
31	London Heathrow	10,586	27
34	London Gatwick	8,896	23

Source: Travers Morgan

* Unit of currency used by International Monetary Fund

Tokyo 'dearest airport'

By Paul Betts

Tokyo's Narita airport has become the world's most expensive, while London's Heathrow and Gatwick remain among the cheapest.

Heathrow, the world's biggest international passenger airport, continued to slip in the annual index of charges at the world's top 40 airports, published by the UK Travers Morgan consultancy group. It fell to 31st position from 24th last year and 18th in 1990, when the first review was done.

Airports are ranked according to landing, parking, passenger and terminal navigation charges. The 1994 review takes into account changes in the world airline fleet: an increasing number of noisy airliners such as DC-10s and 737-200s have been replaced by quieter jets. This trend will intensify during the next 10 years as airlines seek to avoid paying surcharges for noise.

Noise charges at Berlin's Tagel airport had placed it at the top of the index last year. It has now slipped to fifth.

London's Gatwick airport dropped to 34 from 30 last year. The competitive charges at the two London airports, operated by the privatised BAA group, reflect the UK Civil Aviation Authority's pricing formula for them. Dublin dropped four places from 15 to 19, reflecting in part a discount on charges for flights into the UK.

Charges at Heathrow's main European rival airports are higher. Frankfurt has become Europe's most expensive airport and lies fourth in the index. Amsterdam is ninth and Paris Charles de Gaulle 11th.

"Overall, we are seeing a trend of airports introducing new charges, with the exception of BAA, rather than increasing existing charges," said Mr Peter Mackenzie-Williams, Travers Morgan principal aviation consultant.

**Review of Airport Charges 1994, £335 from 2 Killick Street, King's Cross, London N1 9JJ*

Avoidance tactics in Manila

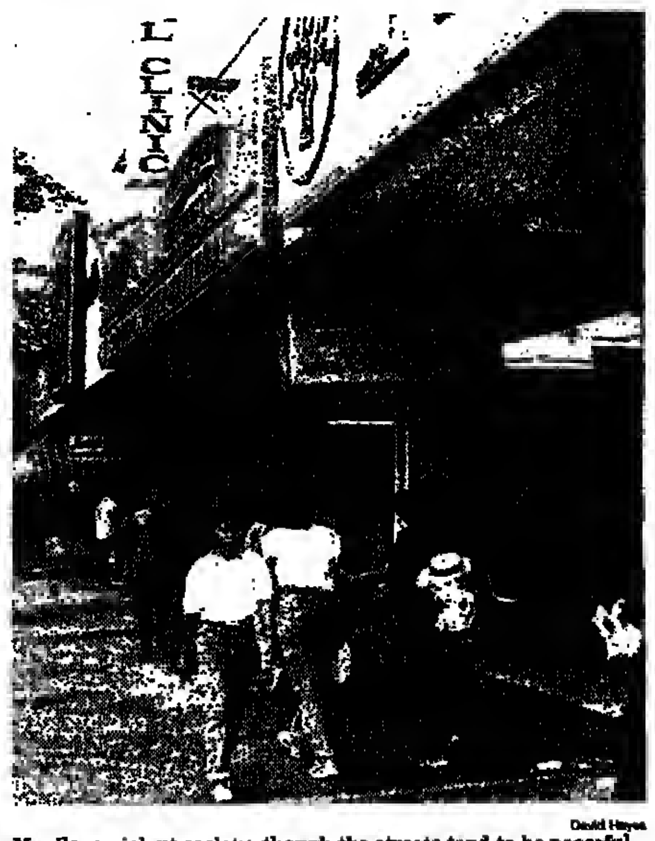
It does not take long for visitors to Manila to realise they have arrived in one of Asia's most violent societies.

Uniformed men brandishing pump-action shotguns stand guard outside high-street banks. Bars and restaurants remind patrons not to carry guns inside. A sign on the door of one bistro in the Philippine capital's main business district says politely: "Kindly endorse your deadly weapons to the house detective."

The reputation of the Philippines for violence is well-founded. But as in Washington or Bangkok, the victims of shootings or kidnappings are usually local residents, rather than visitors.

Nevertheless, foreigners should be cautious when arriving at the Ninoy Aquino International Airport. Visitors have faced demands for money from corrupt customs officials or been robbed by rogue taxi-drivers. The safest bet is to take a car provided by your hotel (they leave from the "hotel counter" outside the terminal) or an Avis limousine.

Other hazards include sophisticated conmen (and women) who invite you to drink a cup of coffee or Coca-Cola, into which they pour a soporific drug; victims of this method of robbery, also used in Singapore and Bangkok, wake up hours later without their wallets, if they wake up at all.



David Hayes

Manila: a violent society, though the streets tend to be peaceful

Yet everyday life in the traffic-clogged streets of the townships that make up Metro-Manila is generally peaceful. Makati, the business district, is particularly clean and safe.

A penchant for guns is only one aspect of a society that has absorbed much from the US and Spain, its two colonial powers. The "Jeepney", the ubiquitous, workshop-assembled vehicle, is loosely based on the front end of the US wartime Jeep. Festooned with baubles, bright lights and Catholic slogans, it is used for both private and public transport.

A refreshing change from some other parts of Asia is the variety of newspapers. You can usually find something entertaining to read in a traffic jam, while wondering whether you dare roll down the window and give money to the street children tapping on the roof of your taxi.

Victor Mallet

ARCHITECTURE

On show at the RA: the tip of a fascinating iceberg

Colin Amery reviews work at The Summer Exhibition

Architecture is at the centre of things at the Royal Academy Summer Exhibition this year. Not only do the striking exhibits extend into the Central Hall so that they are the first things a visitor sees, but they also occupy a key room that is on everyone's route through the exhibition.

This strong presence of architecture cannot be unconnected with the fact that the new president of the Royal Academy is Sir Philip Dowson – from the well known architectural firm of Arup Associates. He has clearly brought a discerning influence to the selection of exhibits and made them representative, not just of the work of the architect academicians, but of the state of architecture in Britain today.

There are 18 architect academicians, including one honorary foreign one – Jorn Utzon – the architect of the Sydney Opera House. All the leading architects of the current generation are members: Sir Norman Foster, Sir Richard Rogers, Richard MacCormac and Michael Hopkins, and Edward Cullinan. The older generation is also there: Sir Philip Powell, Sir Denys Lasdun, Sir Leslie Martin and Colin St. John Wilson.

The annual opportunity to exhibit the work of these leaders, mixed in with a cross section of the work of current practice, does give a clear picture of the profession at work. It is an opportunity for the public to see architecture at work – and as large numbers do flock to the Summer Exhibition it is an opportunity the profession should seize energetically. This year the standard is high but, as is the case every year, the visitor is not helped by the pedestrian display and the lack of information about the exhibits. It is not as easy to exhibit a work of architecture as it is to show a painting or a sculpture. You are not looking at the real thing, only a representation at a small scale in model or drawing form of a full-scale building. This needs interpretation and architects (or is it the Academy?) resolutely refuse to do this. The result is that what you are shown at the RA is just the tip of a fascinating but nearly incomprehensible iceberg.

Hanging in the RA: The Unattended Movement by Ben Johnson.

The first architectural exhibit to catch the eye is what looks like a peepshow on the left hand wall of the Central Hall. Look into the illuminated box and you will see the maquettes of the work of the artists who worked with the architect, Richard MacCormac on the new residential building for St. John's College, Oxford. You are looking at miniature versions of an engraved glass wall and a sculpted iron screen. It is intriguing but makes little sense without some representation of exactly how they were used in the buildings. A beautiful model of elegant steel staircases by Eva Jiricna does, however, stand alone, because it is immediately comprehensible and can be enjoyed in exactly the way you would enjoy a glimpse inside a futuristic dolls house.

Models convey information quickly and effectively – the model of a proposal for new Thames Bridge by the Spanish architect Santiago Calatrava – is of such clarity and elegance that you wish it could be slung across Thames at Bankside tomorrow. Another brilliant model of a scheme that looks very promising indeed, is the eye-shaped building for Ruskin Library at the University of Lancaster. Even in model form it does have a sense about it of the stones of Italy – a fragment of Venice reinterpreted for the campus.

A less comprehensible model, but one that does work as a tortured work of art is the representation by Daniel Libeskind of his extension to the Berlin Museum with its controversial Jewish Museum. The model has an uncanny resemblance, presumably intentional of a shattered Nazi swastika.

Sir Norman Foster has also designed what he calls, a *"Centre de la memoire"* – a tribute to victims of the Nazis in the town of Oradour-sur-Glane in France. It is sublimely simple and less tormented than the Libeskind work for Berlin. A circular pool reflects the sky and is surrounded by a curved wall carved with the tragic victims' names. Anyone doubting the ability of Sir Norman to achieve an architectural triumph in the most minimal way, only has to leave the Summer exhibition and take the glass lift to the Sackler Galleries in the Academy itself. Perhaps less profound but equally elegant is the little school in France, the Lycée Albert Camus at Fréjus that is shown in photographs.

British architects working abroad would be a good subject for the next Royal Academy architectural exhibition. It is a tribute to British talent and living proof that architecture is an international art that so many good architects from the UK now work worldwide. Offices for the Max Planck Institute in Munich by John Partridge, a stadium in Johannesburg by Arup Associates, a competition design for the the new Royal Library in Copenhagen by Paul Koralek (did it win? We are not told), and a monorail station at Wuppertal in Germany are only some of the examples shown in this year's show. Of course they can all be reached from Britain via the Channel Tunnel. A painting by Brendan Neiland and a model by the architects Grimshaw and Partners of their Waterloo Terminal show the high quality and architectural excitement we can expect when the trains start their subaqueous journeys.

This year's Royal Academy Summer Exhibition is a demonstration of the high quality of work that is being achieved by British architects. I hope that the architect President with his ambitious plans for an Architecture Centre in what is currently the Museum of Mankind, will start closer to home and make the small changes to the architectural display at the Summer Exhibition that will make it immediately more accessible. The projects need clear displays and careful captions, architectural models do not work when hung as pictures, and photographs of buildings do help. Over to you Sir Philip...

PEOPLE

Romano Prodi gets on his bike

Robert Graham reviews the achievements of the departing chairman of IRI

Romano Prodi is demob happy, having plucked up the courage to announce his resignation from the chairmanship of IRI, Italy's huge debt-ridden state holding company.

It was always questionable whether he would serve under the new Berlusconi government. In such a hot seat he would have guided the biggest chunk of the planned privatisations. But he took his time in reaching a decision.

The moment ha chose came last week when the IRI board approved the 1993 balance sheet with record losses of L10,320bn ($6.4bn). Today ha begins a brief holiday to celebrate his 25th wedding anniversary but will return in an interim role until the shareholders' meeting on June 28.

"There was no confrontation with Berlusconi," insists the 54-year-old economics professor from Bologna. The two informally discussed his tenure at IRI last autumn when Berlusconi still ran his Fininvest media empire and had not declared an interest in politics. Even then, Prodi told the future premier he was not considering a long stay.

"To do this job properly now would require staying on for some fiva years." Prodi wants to do other things like return to his native Bologna, ride his bicycle and look after his economic think-tank, Nomisma. He also wants to concentrate on one of his "dreams" – the creation of an institute to export Italy's successful development of medium-sized companies to developing countries.

Some colleagues say he is biding his time before entering politics, but he is coy abont admitting this. Several times during the past two years of transitional politics, Prodi, who is close to the former Christian Democrats, has been mentioned as a possible premier. Since the election, several of his colleagues in that party have tried in vain to enlist him as a figure around which to build a new centre party to oppose Forza Italia.

He is smart enough to realise that Berlusconi and his right-wing coalition government cannot be challenged in the short term. Asked how long Berlusconi's honeymoon will last, he chuckles: "His popularity depends on whether or not Italy wins the Football World Cup."

IRI for him is already in the past tense: "Mine was an emergency administration, brought in a year ago at the request of the Ciampi government . . . I was given a completely free-hand and had Ciampi's full support. It is the right moment to change."

Unsaid but obvious is the fact that Prodi would have to work with a government whose mindset he does not know and whose various components may be pulling in different directions.

He would have risked being caught between those wbo want to privatise and wind up the state holding as quickly as possible and others, like the neo-fascist MSI/National Alliance, who are nostalgic about retaining a strong state presence in the economy – IRI was after all founded in the 1930s by their hero Mussolini.

Prodi was previously chairman of IRI from 1982 to 1989. But his role this past year has been very different from what it was then. He found himself frustratingly fettered at every turn by politicians who invariably placed political criteria above business sense.

"It's been a very creative year," he says with a hint of self-congratulation. He feels he has laid down the the essential strategic lines for IRI's future – "progressive break-up through privatisation".

Prodi is not without his critics, but few would deny his skill in tackling the dismemberment of what was nntil recently considered an untouchable institution. In Italy it is one thing to talk about slimming down the pubbc sector – quite another to translate this into action and tackle the vested interests.

This time last year the turnover of companies under the IRI umbrella was equivalent to 5 per cent of Italy's GDP. By the end of this year, especially with the privatisation of Stet, its telecommunications arm, the proportion will have been halved. Privatisation revenues over the past 12 months have been L5,000bn.

"It is easy now to forget the tremendous scepticism only a year ago surrounding our plans for privatisation. Many said privatisation wouldn't work: They said people won't come forward and buy shares; others said the operations won't be transparent. No one believed we would sell off our entire stake in the banks."

Despite such scepticism, he claims a new share-owning culture has been created. "Milan has been turned into a modern stock exchange," he says, relishing the idea of days when recent turnover has exceeded that of any other European bourse.

"You had to begin privatisation of banking and finance. No other European countries allowed over 85 per cent of the banking and financial system to be held directly and indirectly by the state. You have to begin here if you want a more pluralistic system."

The banking privatisations he conducted – Credito Italiano and Banca Commerciale Italiana (BCI) – are a sore topic. He cannot conceal a certain bitterness about the way he failed to persuade the previous industry and treasury ministers to agree to introduce legislation whicb would have produced genuine public companies that protected the role of small shareholders.

This left the way open for Mediobanca, the powerful and secretive Milan merchant bank, to establisb a dominant position in the privatised Credito and BCI using its traditional foreign aod Italian allies. The battle had been well signalled in advance. Prodi had already rejected a closed offer from Enrico Cuccia, the octogenarian honorary chairman, to take over at least one.

"At least through privatisation, we got more money than Mediobanca offered us," he says in consolation. And adds defensively: "The present situation with Mediobanca exercising such control can only be an intermediate one." He believes other merchant banks can be formed by recruiting internationally to rival Mediobanca's near-monopoly position.

The disposal of SME, the foodstuffs group, whicb he inherited, has also been messy. Part of the group, the canned foods side, was sold to a heavily under-capitalised consortium which has since been obliged to call in a white knight in the form of controversial financier Sergio Cragnotti, Raul Cardini's the former right-hand man.

"We got a good offer and the initial tranche of the payment was backed by bank guarantees. How could we refuse?" Prodi says of the original consortium which has now effectively been disbanded.

On the disposal of industrial assets, he has managed to accelerate the reorganisatioo of Ilva, the loss-making state steel group, and hopes during the current month to be able to settle the disposal of the special steels arm. Here Krupp has emerged as a front runner in a coosortium with the local group, Riva.

"I have nothing against foreign groups taking advantage of privatisation – although I think here as elsewhere in Europe, governments are anxious to safeguard against foreign ownership of utilities . . . Nevertheless, here one has to be careful of a hacklash against foreign ownership. In particular there are problems at a local/regional level in Italy; and the trade unions remain suspect of foreign ownership."

He feels the most important signal the Berlusconi government can give is to respect the existing timetable for privatisations – notably for Stet and, outside IRI's empire, INA, the state insurance group. At the same time be says this means introducing early legislation to allow the Rome Airports Authority and the company running the Autostrada toll roads to be fully privatised.

But an equally important signal will be the person selected to replace him. He observes dryly: "I don't think Berlusconi has made up his mind about my successor."

NAMES IN THE NEWS

'Hopeless romantic' for Seagram

Edgar Bronfman Jr epitomises both the benefits and the drawbacks of being born into a rich and powerful business family, writes Bernard Simon. Without his lineage, it is doubtful whether Bronfman could have rocketed from being a Naw York high-school drop-out set on a career in film-making and song-writing, to chief executive of one of the world's biggest beverage companies at the age of 39.

Bronfman replaced his father, Edgar Sr, as ceo of The Seagram Company last week. But having reached the top, he now faces the tough task of proving that ha deserves to be there.

Outsiders can be forgiven for wondering whether show business remains Bronfman's first love. Several of his closest friends are from the entertainment world, as was his first wife. "Beneath a veneer of reserve, Edgar Bronfman Jr is a hopeless romantic," observed a recent profile in New Yorker magazine.

The depth of Bronfman's attachment to Hollywood has become relevant since he spearheaded Seagram's purchase over the past 16 months of a 14.9 per cent stake in Time Warner, the entertainment and communications conglomerate. He asserted last week that "the reason for Seagram's interest in Time Warner had nothing whatsoever to do with my personal ambitions beyond my role as a steward for Seagram's shareholders". Seagram insists that lt has no plans to raise lts Time Warner stake beyond 15 per cent. "There is nothing wrong, in my view, with anyone being interested in what is clearly the fastest-growing, most global industry in North America," Bronfman said.

Seagram has been a Bronfman family business since 1928. Edgar Bronfman Sr, who turns 65 later this month, remains chairman and his brother Charles co-chairmen. Edgar Jr's elder brother Sam heads Seagram's US wine division. But the new ceo is also expected to lean beavily on a number of non-family members in Seagram's upper ranks. The most influential is Stephen Banner, a New York lawyer hired three years ago as Seagram's senior executive vice-president.

Ellwood marks Visa's card

Another leading figure from the UK retail banking industry has emerged at the top of an international payment organisation, writes Richard Waters. Earlier this year, Gene Lockhardt took over as chief executive of MasterCard. An American, Lockhardt was behind the launch of Midland Bank's First Direct, which pioneered telephone banking in the UK.

Now Peter Ellwood (below), former boss of Barclaycard, has been selected as part-time chairman of Visa, the big brother of the payment organisations.

The choice of Ellwood – presently chief executive of the TSB Group – hints at where the future of Visa may lie. In 1989, exactly half of all payments made through the system were in the US; last year, that had slipped to 42 per cent.

Over the same period, the European share climbed three points, to 34 per cent. Thougb growth in plastic payments in Europe has sagged with its economies, it still presents a better medium-term growth prospect for the payment organisations.

Ed Jensen, Visa's chief executive, seemed to acknowledge as much, paying tribute to Ellwood's "vast European experience". A little-noticed announcement the same day confirmed it; Visa, lt said, was setting up its first European product development office, to tailor its products for the European market.

Ellwood's selection, after seven years under Henry Benacerraf, presideot of the Banco Union of Venezuela, completes a sweep of Visa's top echelon. Jensen bimself took over from ten-year veteran Charles Russell earlier this year, while Carl Pascarella was only recently selected to head the US operation, where Visa has been losing ground to MasterCard.

Moore inherits stirred pot

Pity Eugene Freedman, writes Richard Waters. The chairman of Coopers & Lybrand in the US since 1991, he has had a lot to contend with: a weak economy in which many companies cut spending on accountancy and consulting services, sagging profitability and the need (never popular in a partnership) to slash partner oumbers. An abrasive style didn't help, making him many enemies inside the firm.

Life should be easier for Nicholas Moore, the man just elected by Coopers' partners to take over when Freedman retires in October. A 52-year-old Californian, Moore has an altogether more diplomatic manner. Refusing to be bounced into commenting on Freedman's style, he will say only: "He stirred the pot, and we will be forever grateful to bim for making some difficult decisions."

With the US economy now growing strongly again, Coopers' revenues are up around 8 per cent in the current financial year (which ends in September), doubla the rate of growth of a year before, says Moore. "Business is looking better than it has for a number of years, especially in the consulting line."

For Moore, the first and most important job will be to rebuild morale. "The downsizing has had some impact on the psychology of partners," be says. "My number one objective is to rally partners and move them forward."

FINANCIAL TIMES SURVEY

CANADA

Monday June 6 1994

A weary wait for Quebec's verdict

The economy is on the mend, but the political scene is becoming more stormy, writes **Bernard Simon**

Most nations only dream of emulating Canada's recent achievements. How many, after all, can boast that they have signed free trade agreements with their biggest trading partner and with one of the world's most vibrant emerging economies; that they have pushed inflation down virtually to zero; changed governments after a free and peaceful election; and, to cap it all, produced North America's champion baseball team two years in a row?

Canada has done all these things, and is starting to reap the rewards. Before the US Federal Reserve began tightening monetary policy in February, Canadian interest rates had slid to their lowest level in 30 years. Equally significant, the gap between Canadian and US interest rates was at its narrowest in decades. With exports leading the way, the economy is on track, at least for the time being, for a steady, non-inflationary recovery.

At the same time, Canadian workers' productivity has improved dramatically. Companies have sharpened their competitive edge, broadening their horizons in the US, Mexico, Latin America and south-east Asia.

Canada also deserves credit for at last starting to tackle some of the structural handicaps which for years have kept the economy from reaching its full potential.

One is the generous unemployment insurance and welfare system which has kept Canadian cities remarkably free of beggars and slums, but has raised public sector deficits and trapped thousands of able-bodied people at the bottom of the social ladder. The new Liberal government, which came to office in last October's general election, has launched a vigorous overhaul of the once-sacred social security programmes.

The government plans to unveil reforms within a year which are likely to link benefits more closely to training and work. In a remark which would have been unthinkable even as recently as last year's election campaign, Mr Jean Chrétien, the prime minister, observed in mid-April that "it's better to have (people) at 50 per cent productivity than to be sitting at home drinking beer".

Meanwhile, the 10 provinces are inching towards an agreement to dismantle the pervasive non-tariff barriers which have kept British Columbia wine out of Ontario liquor stores, and New Brunswick workers from Quebec construction sites. A growing number of influential Canadians realise that their education system is badly in need of repair – though progress so far in fixing it has been slow.

Regrettably, these signs of renewal do not tell the full story of Canada in spring 1994. A gloomier dimension is evident in the stunning results of last October's general election.

The Liberals won a comfortable majority, returning to office for the first time since 1984. But Canada's two other national parties, the Progressive Conservatives (which had won the two previous elections) and the left-of-centre New Democrats, were virtually annihilated. Despite gaining 16 per cent of the popular vote, the Tories won just two seats.

The opposition benches are now filled by two regional parties which did not exist seven years ago, and whose policies are the antithesis of the qualities of compromise and tolerance for which Canadians are justly famous.

The Bloc Quebecois, whose avowed priority is to turn Quebec from a province of Canada into an independent country, holds the incongruous title of Her Majesty's Loyal Opposition.

The Reform party, all but one of whose MPs come from the four provinces west of Ontario, wants to scrap national bilingualism and opposes any special deal with Quebec which might prevent the francophone province from breaking away. Reform's economic policies are well to the right even of the defeated Conservatives.

The two new opposition parties have undeniably brought soma fresh air to Canadian politics. The BQ has so far been the more effective of the two. Although its MPs spend most of their time as Quebec's cheerleaders in Ottawa, some have also been thoughtful critics of national policies, especially of the proposed cuts in social programmes.

Jean Chrétien, the prime minister: tries to avoid confrontation

IN THIS SURVEY

Reform's penny-pinching MPs seldom allow a Question Period to pass without politely reminding the Liberals of the long shadow cast across Canada's economic prospects by the towering budget deficit. The federal deficit reached a record C$45.7bn, or 5.4 per cent of gross domestic product, in the year to March 31 1994.

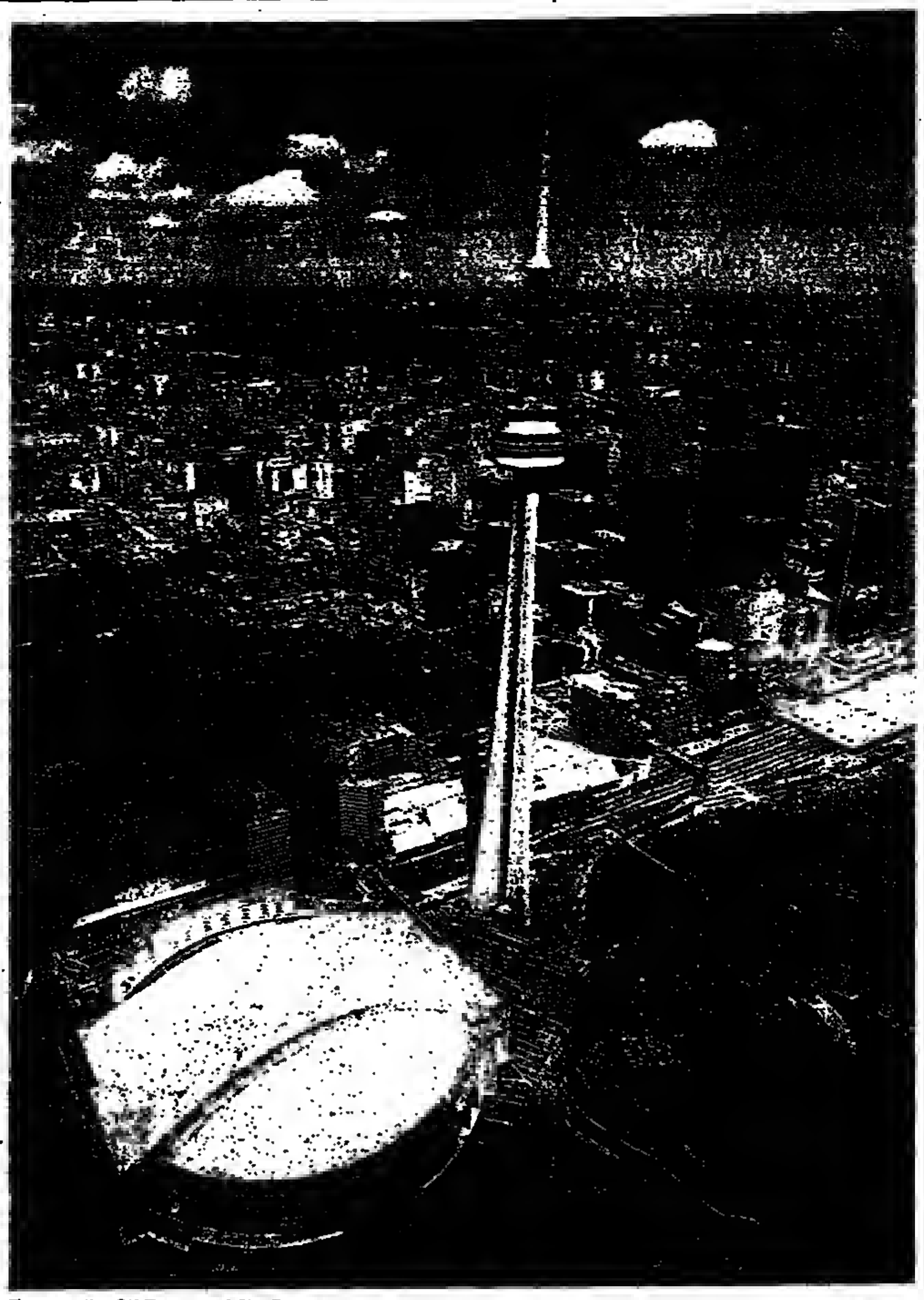
Aside from the occasional skirmish, the governing Liberals and the two opposition parties have yet to lock horns on their profoundly different visions of Canada. Mr Chrétien, for his part, has so far sought to avoid confrontation on the Quebec issue, in favour of setting the new government's economic, social and foreign affairs agenda.

The political scene is becoming more stormy, however, as a provincial election draws nearer in Quebec. The vote, which will most likely be held in September, will determine whether Canada must endure yet another period of hand-wringing and navel-gazing over the future of Quebec.

A victory by the separatist Parti Quebecois, the BQ's provincial cousins, would pave the way for an unsettling period lasting at least a year, and probably much longer.

The PQ, which currently leads in opinion polls in Quebec, plans to start the breakaway process immediately after the election. It has promised to hold an independence referendum within 12 months.

The separatists have spread a soothing message, reassuring Quebeckers that independence would eliminate the inefficiencies of a 10-province federal system while maintaining the benefits of the North American free trade agreement and close economic ties with Canada.



Toronto: the CN Tower and Sky Dome — Glyn Genin

Proponents of national unity, led by Mr Daniel Johnson, Quebec's new Liberal premier (with the federal Liberals in the wings), are using a different tactic from earlier constitutional wrangles. During the 1980s, federal Tories and Quebec Liberals pandered to Quebec nationalism by promising greater autonomy for the province within the Canadian federation.

But Mr Johnson has taken a more aggressively federalist approach. He has told Quebeckers that the best way to create jobs and to safeguard their future is through a strong, united Canada.

Business leaders generally endorse that view, but are nervous about speaking out. Those that have raised their voices in recent years – including Royal Bank of Canada, the country's biggest financial institution, and most recently, Johnson & Johnson, the US healthcare products group – have found themselves accused of blackmail.

The conventional wisdom in Montreal is that, while many Quebeckers are keen for a change of government after nine years of Liberal rule, they will not be willing to take the much bigger gamble of breaking away from Canada.

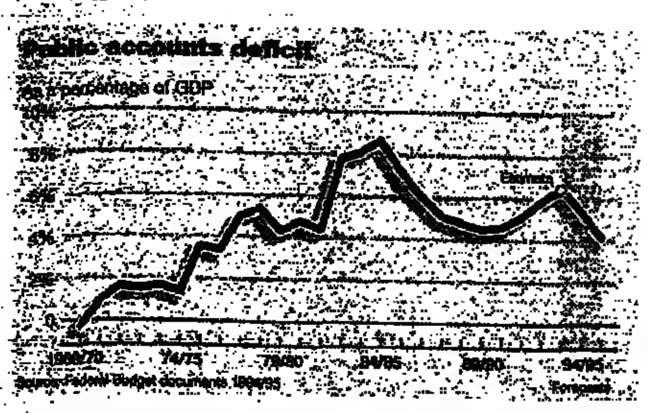
But the longer the squabble over Quebec's future continues, the greater the chances that the separatists will eventually prevail. With defenders of a strong, central government thin on the ground in recent years, the transfer of one power after another from Ottawa has seemed almost inevitable.

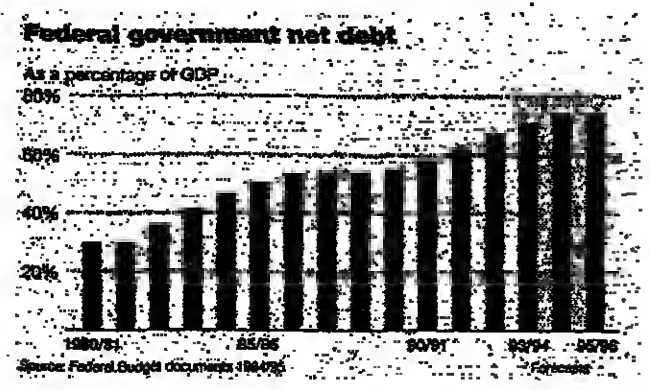
Outside Quebec, the willingness of Canadians to keep fighting for a united country cannot be taken for granted.

Many English-speaking Canadians have become weary with the bickering, now spanning almost two decades, over Quebec's place in Canada. The view is now widespread, especially in the Reform party's western stronghold, that while Quebec is welcome to stay, it should be wished good riddance if it decides to go its own way.

Mr Mike Harcourt, British Columbia's premier, told the Globe and Mail newspaper in mid-May that "Quebec and BC are natural allies in a renewed Canada and would be the best of friends. But if they decided to separate, we wouldn't be the best of friends, we'd be the worst of enemies."

A victory by Mr Johnson's Liberals in the forthcoming election would seriously weaken the PQ, and probably cripple the Bloc Quebecois. If the PQ wins, however, the 1994 poll may mark the ironic point in history where, just as Canada was starting to revitalise itself, it also started to fall apart.





Bernard Simon considers the government's economic policies

The Liberals' good fortune

The Chrétien government has tried to steer a middle course in its economic policies, balancing financial markets' demand for fiscal and monetary discipline with the Liberals' campaign pledge to create jobs.

The result is that while the new government has not made any serious mistakes during its first half-year in office, it cannot yet boast of any dramatic achievements.

However, the Liberals have had the good fortune to take office at the best possible time. They have escaped blame for the pain of high interest rates and the initial shock of the 1989 US-Canada free trade agreement, which helped drive the Canadian economy into a deep recession from 1990 to 1992.

Now the benefits of these policies have started to become apparent.

Interest rates fell to their lowest levels in three decades before the US Federal Reserve started tightening monetary policy last February. The banks' prime lending rate had tumbled to 5.5 per cent from a peak of 14.75 per cent in mid-1990, and the gap between US and Canadian interest rates was at its narrowest since the late 1970s.

Inflation is virtually non-existent. Thanks partly to a cut in cigarette taxes earlier this year, the consumer price index crept up by only 0.2 per cent in the year to April.

Recession and free trade hava also sharpened the competitive edge of many Canadian companies. Workers now consider themselves lucky to get a 2-3 per cent pay increase and productivity has improved markedly in recent years. But the price has been stubbornly high unemployment, which stood at 11 per cent in April.

The upturn has so far centred on the export sector which has been helped by strong demand from the US and the slide in the Canadian dollar (from a peak of 89 US cents in late 1991 to 73 US cents in late May).

These gains are gradually filtering through to the rest of the economy. With luck, they will be reinforced by a further rise in prices for such key exports as pulp and paper, metals, wheat and natural gas. ScotiaMcLeod, the securities firm, forecasts that real GDP growth will accelerate to 3.4 per cent this year and 4 per cent in 1995, from 2.6 per cent in 1993.

Economic forecasts
(percentage change unless otherwise indicated)

	Annual averages			4th-to-4th quarters		
	1993	1994	1995	1993	1994	1995
Real GDP	2.4	3.5	4.3	3.0	3.9	4.3
Unemployment rate (%)	11.2	10.9	10.2	11.1	10.7	10.0
Consumer price index	1.8	0.9	1.8	1.8	0.9	1.8

Source: Royal Bank economics department, spring 1994

However, the outlook varies markedly across the country. British Columbia, which has already benefited from record lumber prices, is expected to be pushed further ahead by a recovery in other forest product and metal markets, and by a continuing influx of immigrants from south-east Asia and other Canadian provinces.

At the other end of the country (and the growth spectrum), Newfoundland's economy has been devastated by the virtual disappearance of North Atlantic cod stocks. Some 20,000 jobs have been lost in the east coast fishery, putting one in five Newfoundlanders out of work.

Despite the forces working in their favour, the Liberals have not had an entirely smooth ride. In particular, financial markets have been unsettled by uncertainty over Quebec's future and the new government's priorities.

The Liberals initially sent a number of signals that their economic policies would be kinder and gentler than the Tories, with job creation as important a short-term goal as low inflation or deficit reduction.

The message was reinforced by the replacement of Mr John Crow as governor of the Bank of Canada by his deputy, Mr Gordon Thiessen. Mr Crow carved out a reputation as one of the industrial world's most ardent inflation fighters during his seven years in office.

One of Mr Thiessen's first acts was to spell out slightly more flexible inflation targets than those set by his predecessor. The present aim is to hold inflation in a 1-3 per cent a year range until at least 1998.

The new finance minister and central bank governor threw financial markets off balance again with a hesitant response to the US Federal Reserve's tightening of monetary policy last February. Not only did the Canadian dollar slide by three US cents between February and April, but interest rates ended up rising far more steeply than in the US. The banks' prime lending rate jumped back to 6.75 per cent by the end of April.

The consensus, however, is that interest rates are likely to stay flat or decline a little in coming months, and that the economic recovery will remain on track.

On fiscal policy, the Liberals pledged during the election campaign to bring the federal deficit down to 3 per cent of GDP within three years, from a projected 5.4 per cent in the fiscal year to March 31 1995.

The previous Conservative government badly underestimated the impact of the recession on government revenues. Within two months of taking office, Mr Paul Martin, the finance minister, revised the 1993-94 budget estimate upwards from the Tories' rosy projection of C$32.7bn to a record C$45bn.

Mr Martin's first budget, tabled last February, aims to cut the deficit to C$39.7bn in 1994-95 and C$32.7bn tha following year. He announced the closure of a string of politically sensitive military installations and renewed a freeze on civil servants' wages.

The biggest contribution to deficit reduction could come from a planned overhaul of the once-sacrosanct social security net. These programmes, some of which are administered by the provinces with financial support from Ottawa, are by far the biggest single spending item in the federal budget. The Liberals aim to spell out their reform proposals in next year's budget.

Financial markets have yet to be convinced, however, of the new government's steadfastness. Analysts are encouraged thet Mr Martin's economic assumptions are more realistic than those of his Conservative predecessors.

But they worry thet much of the drop in this year's deficit will be thanks to measures announced by the previous government or accounting changes, rather than brave new Liberal spending cuts.

The minister is sticking to his guns. "There is no doubt that we are not going to be able to solve our deficit problems by growth alone," Mr Martin said in late April. "And what that means is a complete restructuring of government. It is going to mean major, major cuts which will affect every segment of our society."

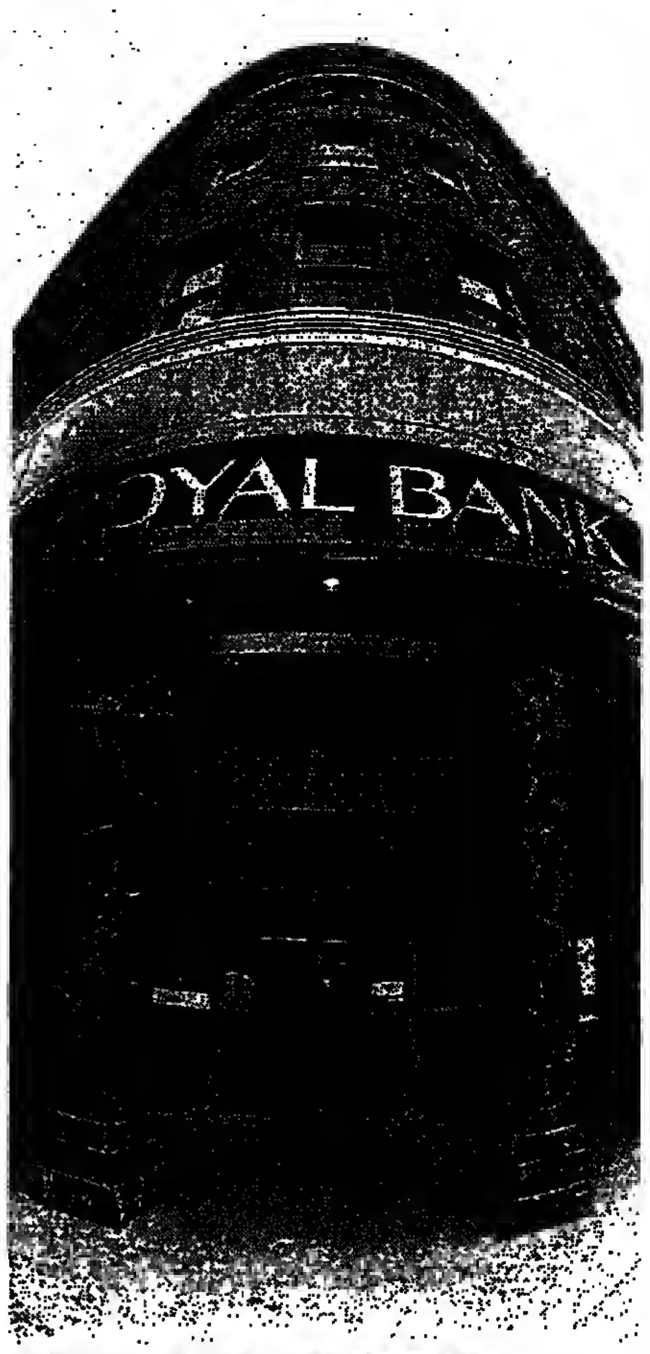
Despite the recent increase in borrowing costs, he remains confident of meeting his deficit targets. Mr Martin has also pledged that his 1996 budget will spell out a game plan to eliminate the deficit entirely. International investors however, are likely to judge him by actions rather than words.

KEY FACTS

Area	9,220,970 sq km
Population	27.8 million (1993 estimate)
Currency	Canadian Dollar (C$)
Average exchange rate, 1993	US$1=C$1.29
Exchange rate May 25 1994	US$1=C$1.38

ECONOMY	1993	Latest*
Total GDP (US$bn)	550.9	n.a.
Real GDP growth (%)	2.4	3.1
GDP per capita ($)	19,816	n.a.
Components of GDP (%)		
Private consumption	60.9	
Total investment	18.3	
Government consumption	21.2	n.a.
Exports	29.3	
Imports	-29.4	
Consumer prices (% change pa)	1.8	0.7
Ind. production (% change pa)	4.9	4.5
Unemployment (% of lab force)	11.2	10.6
Reserves minus gold (US$bn)	12.5	10.9
10 year govt bond yield (% pa, avg)	7.25	8.40
FT-A Index (% change over year)	+22.3	+0.1
Current account balance (US$bn)	-19.6	-18.0
Exports (US$bn)	142.0	n.a.
Imports (US$bn)	130.0	n.a.
Main trading partners (1992, % by value)	Exports	Imports
US	77.2	63.5
Japan	4.6	7.1
UK	1.9	2.7
Germany	1.5	2.3

*1994 figures (EIU estimates for 1994 except unemployment and reserves (March), bond yield (May 25 1994) and the FT-A Index (% change from 1/1/94 to 25/5/94) ......Sources: IMF, Datastream, Economist Intelligence Unit



The Royal Bank is the country's biggest financial institution *Tony Andrews*

Impact of the North American free trade agreement

A small step on the right path

Any Canadian businessman will agree that while ratification of the North American free trade agreement (Nafta) late last year was important, it was secondary to the US-Canada free trade agreement (FTA) sealed in 1989 during Mr Brian Mulroney's period as prime minister. In its five-year life, the FTA has had a far-reaching impact on the structure of Canadian business and on Canada's commercial links with its biggest trading partner, the US.

Howaver, free trade advocates who had hoped that the new US-Canada-Mexico trade bloc would address some of the FTA's flaws have been disappointed.

Over the longer run, Nafta will open Mexican markets to Canadian exports, but its most important function will be to cement trading practices between the US and Canada already defined by the FTA. Mexico last year accounted for less than 1 per cent of Canada's total exports, while the US absorbed 80 per cent. Together, trade flows across the US-Canadian border totalled nearly $400bn in 1993.

Free and open international trade is crucial to Canada, which is in the midst of a export-led recovery after a long and trying recession. A country of only 27m people with an economy a tenth the size of its southern neighbour, it cannot afford costly trade disputes.

However, for all its promise, Nafta has not offered a means to resolve subsidy and dumping disputes that have arisen between the US and Canada under the FTA. Thus, the two governments are close to an embarrassing trade war over Canadian wheat exports, just months aftar the Nafta accord was reached.

Mr Roy MacLaren, the minister for international trade, told North American business leaders recently that Canada's governmant was committed to negotiating clear and agreed definitions of subsidies and dumping with its Nafta partners. Had these existed, he said, it would have averted the wheat controversy and other US-Canada trade disputes. "They constitute a crucial missing element necessary to secure market access within North America for our companies," he declared.

Regardless of the disputes, the sheer size of trade between the two countries has shaped Canadian business, particularly since the FTA was put in place. Total valne of merchandise trade between the US and Canada has jumped 42 per cent since 1989, and the integration of North American operations for big international companies such as Ford and General Motors has been remarkable.

Mr Gerry Protti, president of the Canadian Association of Petroleum Producers, says that Nafta "was not a huge win" for his industry. "Liberalisation of energy trade between the US and Canada was already occurring at a very rapid rate," he adds. "Nafta insures that development will continue to expand."

If the FTA provides a clue, Canada's energy business will boom as trade becomes freer. Canada's exports of natural gas to the US, for example, have increased 25 per cent in five years. Its oil export revenues exceed $10bn and comprise more than 40 per cent of total Canadian production.

Under Nafta, Mexico's state oil company, Pemex, will keep its monopoly over most of the country's oil prodnction. However, Mexico will allow foreign investment in petrochemicals, pipelines, refineries, electricity generation, and other "downstream" energy activities. This, Mr Protti says, will open up many opportunities for Canadian energy companies, which also stand to benefit from increased exports to the US as US production companies pursue natural gas exports to Mexico.

And, he is confident, as Mexico becomes accustomed to life under Nafta, "upstream" oil and gas exploration and extraction will gradually open to Mexico's Nafta partners.

Canadian telecommunications and transportation companies are already feeling renewed benefits in Mexico, with companies such as Northern Telecom entering agreements to provide telephone equipment to the newly opened market.

Laurie Morse

Laurie Morse looks at moves to dismantle internal trade barriers

Some progress in the provinces

Canada's federal government bas sealed historic international trade agreements this year, but is still without a solution to the pervasive inter-provincial non-tariff trade barriers that stifle growth and the free flow of goods, services and capital within its own borders.

Intense negotiations between provincial ministers, the territories, and the federal government may finally produce a solution to these internal trade blockades this summer.

A certified accountant in New Brunswick, for example, is not allowed to practise in neighbouring Prince Edward Island because professional licensing requirements differ. Manitoba procurement agencies, in charge of the province's liquor stores, will not purchase regional beers brewed elsewhere in Canada. A forest products company in Ontario must buy electric power from Ontario Hydro, even though electricity produced by neighbouring Manitoba Hydro may be one-third the cost.

The lack of uniform trucking codes between provinces often forces Canadian freight companies to make coast-to-coast deliveries via the US. Until recently, a cable manufacturer wishing to sell wire to a provincial utility had to have a factory in that province.

These are just a few examples of how protectionist attitudes in Canada's 10 provinces disrupt the free flow of internal trade. The problems these barriers cause, long a festering issue at the federal level, have been exacerbated recently by new international trade agreements like Nafta.

"With the Free Trade Agreement (with the US) it is sometimes easier for people to trade north-south than east-west," says Mr Robert Knox, executive director of Canada's Internal Trade Secretariat in Ottawa.

"Canada's problem is that we're a relatively small domestic market. Wa want to thrive in a global economy, but government practices have kept many businesses from growing a strong domestic base. We've got to a point where we can't afford it any more," says Mr Knox.

> Negotiators say that ministers from nine of the 10 provinces have endorsed a draft agreement

Canada exported about $200bn in goods and services last year, and its internal trade, while more difficult to measure, is nearly the same size, economists say.

A study by the Canadian Manufacturers' Association in 1991 found that provincial constraints in just two areas – government procurements and agricultural marketing practices – cost Canadian taxpayers some $7bn a year. However, Mr Jason Meyers, economist for the CMA, says that if one could quantify the dynamic effects of lost trade, the figure would be much higher.

As Canadian companies struggle to be internationally competitive, there is a growing realisation in government and business circles that the benefits of liberalised domestic trade could be higher than those offered by protectionism.

But the process of achieving a common market is more difficult than issuing a federal edict from Ottawa. Internal trade talks, initiated in 1987 when Canada's federal government appointed a Committee of Ministers for Internal Trade, have proved as difficult as those undertaken to cement international trade compacts.

When the provinces and the federal government last seriously tried to solve internal trade issues at constitutional talks two years ago, the effort fell flat. Interest groups were so effective that the pact, had it passed, would merely have preserved the status quo.

Since then, a persistent recession and objections to liberalised trade by the NDP governments of Ontario and British Columbia – two of Canada's largest commercial provinces – have further stalled talks. However, the CMIT persisted and last year set a deadline of this month for concluding a comprehensive agreement on internal trade, to be implemented in June 1995.

With the deadline looming, the ministers agreed two months ago to refine a draft of a new internal trade agreement that addresses non-tariff trade barriers in 11 industry sectors and contains a mechanism to arbitrate on internal trade disputes.

Although the talks are not public, negotiators say that ministers from nine of the 10 provinces have endorsed a draft agreement.

Whatever the final form, analysts agree that the CMIT's efforts will produce progress in certain areas, if not a comprehensive free trade zone. An agreement that would open up provincial procurement – a huge area that encompasses everything from liquor to road, school and hospital construction – is under consideration, but may be difficult to ratify.

However, analysts say that at the very least Canada will get an agreement that provides for uniform standards and regulations for professional services, trucking and other industries, bringing the country a step closer to an open market.

■ FOREIGN POLICY

Trying to do more with less

Foreign policy, traditionally an area of little public interest in Canada, is quietly returning to the national agenda. For the first time since the 1970s, Ottawa is embarking on a major review of its international relations.

The challenge is to determine priorities abroad and ensure the means to meet them at home. The end of the cold war, the rise of Asia, and the advent of North American free trade have dramatically changed the assumptions which have governed Canada's defence and foreign policy since 1945.

Uncertain of which direction to take, the Liberal government has begun seeking advice. Since last October's election, the House of Commons has held debates on the North American Free Trade Agreement, US cruise missile tests over Canada, and the future of Canadian peacekeeping omissions. Two parliamentary committees are studying defence and foreign issues. A public forum, organised by the government, has convened leading experts in Ottawa.

In the old bipolar world, Canada's international activism gave rise to many labels: for instance, helpful fixer, honest broker and middle power. They generally reflected the activist but conciliatory role which Canada has sought to play in the post-war era.

As a warrior, Canada fought early and often in both world wars, Korea and the Gulf. As a peacekeeper, it has participated in every mission undertaken by the United Nations.

As a trader, earning one quarter of its income from commerce, Canada has supported global free trade.

As a donor, Canada has run one of the world's most generous aid programmes. As a diplomat, Canada helped create the architecture of the new world order, joining all the major international organisations including the Group of Seven, the Commonwealth, La Francophonie (the organisation of French-speaking countries) and the Organisation of American States.

Whatever the government's review concludes, Canada is unlikely to embrace a new isolationism or protectionism. While the traditional consensus on federalism and social welfare is fraying at home, Canada remains committed to the liberal internationalism of Lester Pearson, the former prime minister.

Still, money is a constraint. With the federal government running an annual budget deficit of $40bn, many foreign policy experts question whether Canada can still afford to do all that it has in the past.

Downtown Calgary, the capital city of Alberta — Glyn Genin

For a decade or more, for example, Canada has been reducing military spending by cutting the size of the armed forces. Yet it still maintains too many bases and carries out too many functions.

Meanwhile, the demand for peacekeepers has soared. Canada has always agreed to serve; it once comprised 10 per cent of the world's peacekeepers. But the former Conservative government withdrew Canadian troops from Cyprus after 28 years and asked other countries to share more of the burden.

Canada is still the world's seventh largest aid donor. But aid as a percentage of gross domestic product has now fallen to around 0.45 per cent, and the Canadian International Development Agency has been called wasteful and inefficient.

The government is under pressure in all areas to find new ways to do more with less.

In defence, for example, some suggest turning the military into a peacekeeping army. The argument is that Canada no longer needs a traditional force equipped for high-intensity warfare and should prepare its forces for more limited needs, such as civil order and surveillance.

"Our defence policy is ... rational no longer," says a recent report by a group of prominent Canadians. "Unless the policy is changed quite radically, the result will be that Canada will have a miniature model of a general purpose force – one with just a little bit of everything but not enough of anything to be effective."

One proposal is to abandon high-intensity combat. This would mean slashing Canada's fighter aircraft fleet by two-thirds, closing bases and dropping armoured formations, heavy artillery and ground-to-air support.

To modernise its aid programme, critics propose that the government redirect aid to only the poorest countries, abandoning those which no longer need it. Ottawa has also been urged to stop supporting costly megaprojects, and concentrate more on developing human resources through micro-business loans and education.

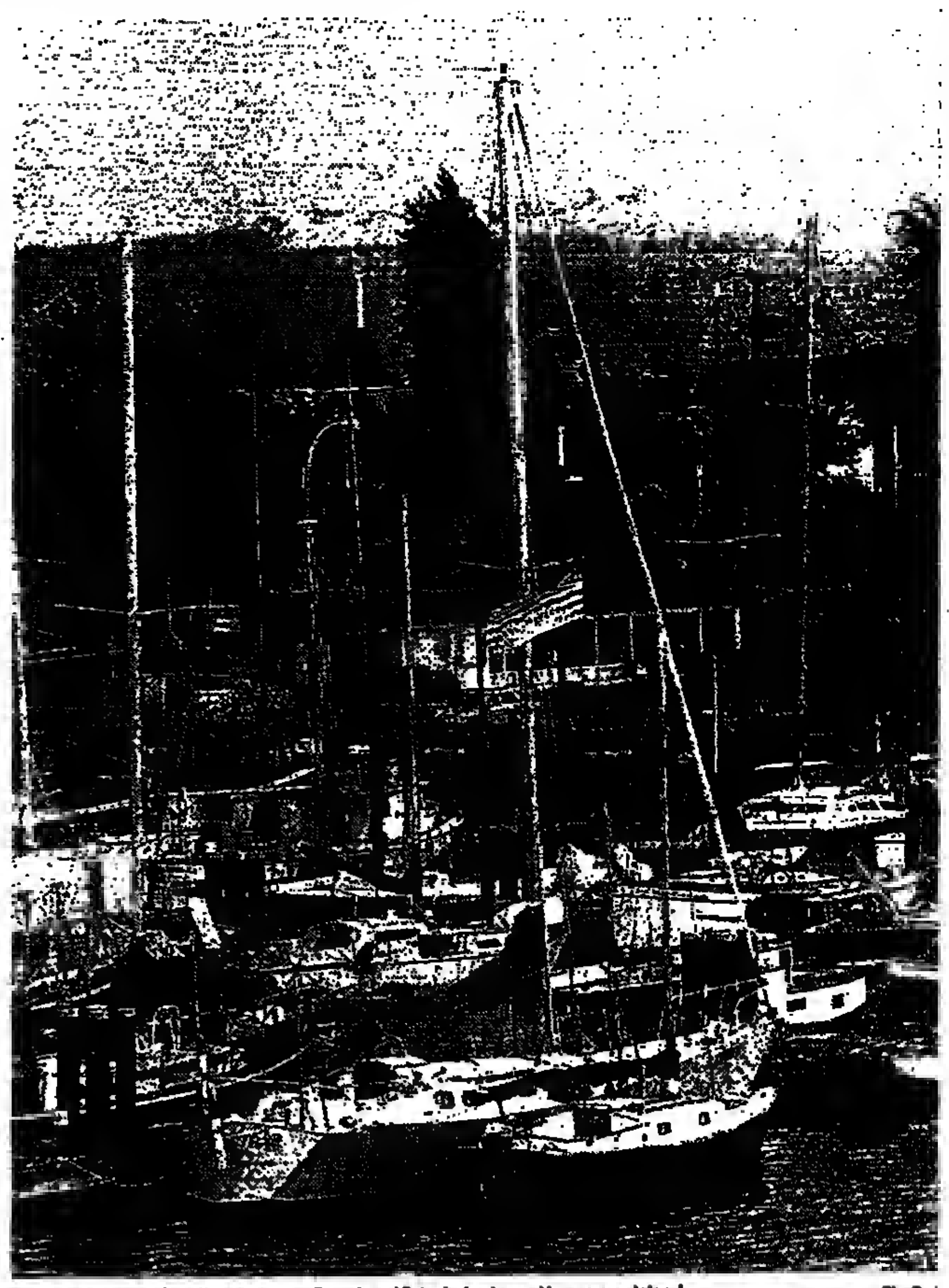
In reviewing foreign policy, the government will have to consider a host of other questions: whether to remain in Nato, even after withdrawing forces from Europe; whether to take a softer line on human rights in the third world and concentrate more on trade and investment; whether to remain a member of so many international organisations; whether to try again, as Canada did in the 1970s, to diversify trade beyond the US, which accounts for more than 70 per cent of Canada's exports.

For all the discussion, though, Canada's objectives in the 1990s remain similar to those of the 1950s. If opinion polls are correct, Canadians want to do more in the world, not less.

But that does not mean the government will embark on bold initiatives. Foreign policy is not a priority for Mr Jean Chrétien or his government, and the expectation is that it will be cautious in cutting defence spending and reallocating aid.

What is more, if the secessionist Parti Quebecois is elected in the province of Quebec later this year, the federal government will have its hands full with the national unity issue, leaving little time for the rest of the world.

Andrew Cohen



Fishing boats, yachts and other small craft at Victoria harbour, Vancouver Island — Glyn Genin

Bernard Simon profiles Jean Chrétien, the federal premier

Leader who shunned a Cadillac

In the months leading up to last October's general election, some senior members of the Liberal party quietly began to plot the downfall of their leader, Mr Jean Chrétien.

Mr Chrétien had been a big disappointment in the three years since he won the party leadership. He had failed to capitalise on the unpopularity of Mr Brian Mulroney's Conservative government.

The opposition leader's heavily-accented English and less-than-perfect French helped fuel the impression that he was out of his depth. His fellow-Quebeckers had not forgotten or forgiven his role as justice minister in outflanking the francophone province's separatist government during constitutional talks in the early 1980s.

However, the dissatisfaction has evaporated since the Liberals' election victory. The would-be plotters are now senior cabinet ministers. Most Canadians – including non-Liberals – have come to regard their new prime minister with respect, and even with quiet affection.

Mr Chrétien's down-to-earth manner and his common sense approach to government are a sharp contrast to Mr Mulroney's regal style. They have proved an effective antidote to the revulsion felt by many Canadians against their politicians and the political process.

Mr Patrick Gossage, a Toronto public relations consultant who has close links with the Liberals, describes Mr Chrétien as "somebody who is by nature not the slightest bit puffed-up, arrogant or self-satisfied". Referring to his home town in rural Quebec, Mr Chrétien calls himself "the little guy from Shawinigan". He has eschewed the official, armour-plated Cadillac limousine used by Mr Mulroney for a taxi-like Chevrolet Caprice.

Mr Chrétien is sometimes compared to former US President Harry Truman. But like Mr Truman, the Canadian leader's folksy style masks a finely-honed political compass.

Aged 60, Mr Chrétien is one of Canada's most experienced politicians. He celebrated his 30th anniversary as an MP last year, and his cabinet experience stretches back to 1967.

He held almost every senior portfolio in the 1970s and early 1980s when Mr Pierre Trudeau was prime minister. At times of despair in the Liberal camp over the past few years, Mr Chrétien's supporters would take solace that, for all his drawbacks, their leader had never been tarred by a major mistake or by scandal.

Since the start of last year's election campaign, Mr Chrétien has steered clear of the debate on Quebec sovereignty by insisting that the Liberals' top priority is to create jobs, not squabble about the constitution.

But as another poll in Quebec draws nearer, he will find it increasingly difficult to remain above the fray.

Like Mr Trudeau, his mentor, Mr Chrétien has never made any secret of his disdain for Quebec separatists. But in contrast to Mr Trudeau's coldly logical arguments in favour of a united Canada, Mr Chrétien wears his patriotism on his sleeve.

"Whatever happens, I am personally convinced that it is possible to be a proud Quebecker and a proud Canadian at the same time," he wrote in his recent autobiography. "Far from being exclusive, they are complementary, for without Canada Quebec cannot survive."

Mr Chrétien recalls his 93-year old father saying after the separatists' defeat in the 1980 sovereignty referendum: "I can die now, the Liberals are back in power and Quebec will remain in Canada."

Such views have not been popular, however, in Quebec where Mr Chrétien is portrayed in the media and by influential intellectuals as a bumbling Uncle Tom.

According to a recent opinion poll in the Globe and Mail newspaper, almost two-thirds of Quebeckers think the prime minister should remain neutral in the looming battle over the province's place in Canada. However, it would be out of character if he did so.

All change in the corridors of power

New faces in Ottawa

BERNARD SIMON identifies the up-and-coming names to note

Compilers of the federal government telephone directory have had to change an unusually large number of entries since the last edition was published in April 1993.

The new Liberal cabinet, which took office after last October's general election, is the most obvious change in the corridors of power in Ottawa. But it is no means the only one.

The Bank of Canada has a new governor. For the first time, a woman holds the job of Clerk of the Privy Council, the most senior position in the federal civil service. Names of several government departments have been changed.

More than two-thirds of the 295 members of parliament returned in last October's general election are newcomers.

Furthermore, the way that business is done in Ottawa has undergone some changes since the Liberals came to office. "The previous 10 years were government by the friends of (former prime minister Brian) Mulroney," one lobbyist says.

He adds that the Liberals have so far been "very open and very forthcoming. They're not willing to talk about 'I scratch your back, and you scratch mine'."

The Liberals have launched top-to-bottom policy reviews of such contentious and wide-ranging areas as defence, social security and transport. Some lobbyists report that politicians and civil servants are calling on them as the new government feels its way.

Mr Jean Chrétien, the prime minister, has discouraged cabinet members from assembling the large political staffs which became a fixture of ministerial offices during Mr Mulroney's tenure.

While decisions were channelled through a maze of ministerial committees and a pyramid of advisers during the Mulroney years, the centre of power in Ottawa is now a small group of senior cabinet members.

Besides Mr Chrétien, the group includes Mr Paul Martin, finance minister; Mr Lloyd Axworthy, human resources minister and Mr Roy MacLaren, trade minister. Any important decision involving Quebec is likely to have the stamp of approval of Mr Andre Ouellet, the wily foreign affairs minister.

Though Ms Sheila Copps was renowned as one of the Liberals' most forceful debaters on the opposition benches, she has yet to make a mark as deputy prime minister. She also holds the environment portfolio.

One consequence of the leaner political decision-making process is that senior civil servants have regained some of the clout they lost during the Mulroney years. The most influential department heads include Mr David Dodge (finance), Mr Jean-Jacques Norean (human resources development), Mr Harry Swain (industry), Mr Allen Kilpatrick (international trade) and Mr Reid Morden (foreign affairs).

"The number of people you have to talk to is still relatively small," says Mr Tom D'Aquino, president of the Business Council on National Issues, a big business lobby group.

Nonetheless, life has changed for the army of lobbyists which sprang up in Ottawa during the 1980s. Liberal ministers and MPs have put out word that they prefer to deal directly with companies and individuals seeking favours, rather than with professional arm-twisters.

Many lobbyists' work now centres more on research and advice than directly pleading clients' cases. But some of the firms which were most successful at opening doors in the Mulroney years remain widely respected. They include Hession Neville & Associates, and Parker Norquay, whose head, Mr Rob Parker, has the unenviable job of representing the interests of Canada's tobacco companies.

At the Bank of Canada, Mr John Crow was replaced last February as governor by the less prickly Mr Gordon Thiessen. Mr Thiessen was formerly senior deputy governor, acting in effect as the bank's chief operating officer.

Perhaps the biggest change is in the House of Commons, where two of Canada's three national parties, the Progressive Conservatives and the left-of-centre New Democrats, were all but annihilated in the election. The opposition benches are now filled by two regional parties – the Bloc Quebecois, whose 54 MPs are all French-speaking and all from Quebec, and the Reform party, all but one of whose 52 members represent constituencies west of Ontario.

The BQ has so far proved to be a more effective and cohesive opposition than the Reform party. Although their concerns are centred on Quebec, BQ members have carved out a left-of-centre position on some national issues, such as social security reform. But the Liberals have so far had the field largely to themselves.

With all these changes, anyone planning to do business in Ottawa would be well advised, as a first step, to pick up a copy of the government phone book. The Government Telecommunications Agency has just produced a new edition that incorporates the comings and goings of the past six months.

■ THE NUCLEAR INDUSTRY

Drought may be over

Two events last April underlined the volatile mood in Canada's nuclear industry.

Mr Zou Jiahua, China's vice-premier, visited the suburban Toronto offices of Atomic Energy of Canada Ltd (AECL), reinforcing hopes that Beijing will use its Candu heavy water reactor to meet part of its fast-growing power needs.

The high-profile Chinese visit symbolised AECL's optimism about the Candu programme's future. A 700-megawatt Candu unit installed at Wolsong, South Korea, in 1983 has won acclaim for two years in a row as the world's best-performing nuclear reactor.

AECL has won orders for three more units at Wolsong since 1990, and expects to be a front-runner for reactors in Romania, Turkey and Indonesia, as well as China, over the next few years.

Two weeks before, however, came the latest of many upheavals within AECL's ranks. Its chief executive quit after less than a year at the job. Over the past four years, the government-owned company has had three chief executive officers and four chairmen, while 10 of its 12 government-appointed directors have been replaced.

AECL has been through several painful restructurings over the past decade as the prospects for nuclear energy have waned, and government funding has contracted.

In particular, AECL has battled to bring a sharper, more commercial focus to its research arm, whose payroll is about three times bigger than the Candu division.

Uncertainty about the future of nuclear power has taken a toll on the Candu programme. This division's payroll has shrunk from 3,600 to 1,000 employees over the past decade. Much of its effort during the 1980s was directed at service work on existing Candu and other reactors.

AECL announced another round of cuts late last month, including a 15 per cent reduction in its total payroll over the next two years. Nonetheless, Mr Don Lawson, who heads the Candu operations, is optimistic that the new orders from Korea herald the end of the long drought for the nuclear industry.

Construction of a Candu reactor at Cernavoda in Romania is again in full swing after being interrupted because of the 1989 revolution. AECL and its Italian engineering partner, Ansaldo, now have complete charge of the site. "The quality of work has been as good as anywhere else," Mr Lawson says. "What we've done is to put a fence around the site, with western work practices within the fence."

Drawing on staff from several Canadian utilities, AECL will run the plant for the first 18 months. About 150 Romanian operators are being trained at a Candu power station in New Brunswick.

AECL's marketing efforts are at present focused on Turkey, where the government is expected to call for bids later this year for one – possibly two – units at Akkuyu, on the south coast.

TEK, the Turkish utility, signed a letter of intent for a Candu reactor in 1983. But financing problems related to the unusual ownership and operating structure of the project scuppered that deal. The transaction is likely to be more straightforward this time around.

Mr Lawson says that AECL has already arranged C$1.5bn in financing for the Canadian content of its renewed bid for the Turkish contract. Its partner, the Dutch arm of John Brown, the UK engineering and construction group, has brought in support from the UK, Netherlands and Spain.

Asia will be the biggest source of business over the next few decades, predicts Mr Lawson. AECL is banking on its success in Korea to win orders from Indonesia, Thailand, the Philippines and China.

But the company is also crossing its fingers for a revival in nuclear power's fortunes closer to home.

One prospect is Saskatchewan, the prairie province which is the world's biggest uranium producer but has so far steered clear of nuclear power generation.

AECL hopes that Saskatchewan will order a smaller version of the 700 MW Candu 6 reactor. A relatively simple 450 MW model, with a construction time of less than three years, is at present on the drawing boards.

Elsewhere in North America, several first generation nuclear reactors are nearing the end of their planned 40-year life.

Environmental groups are certain to fight any move to replace them with new nuclear units.

However, the power station sites have already been approved for nuclear use, and the infrastructure is in place. Mr Lawson predicts that orders from North American utilities will restart within 15 years.

Bernard Simon

Robert Gibbens looks ahead to an important provincial election in Quebec

Johnson leads fight to stop breakaway

Quebec's coming election will bring Canada's only French-speaking province face-to-face with a choice between the mainstream and some form of breakaway from the rest of the country.

Mr Daniel Johnson, the 49-year-old premier, who was acclaimed leader of the federalist Quebec Liberals last December after the ailing Mr Robert Bourassa resigned, is battling to persuade nervous voters that he can revive a sluggish economy with tighter management, co-operation with Ottawa and resurgent private sector investment.

His Parti Quebecois opponent, Mr Jacques Parizeau, 63, the province's finance minister from 1976 to 1984 and a hard-line nationalist, says political separation is the only way out of the confederation strait-jacket. Were he to win the election, Mr Parizeau promises an independance referendum would follow within a year.

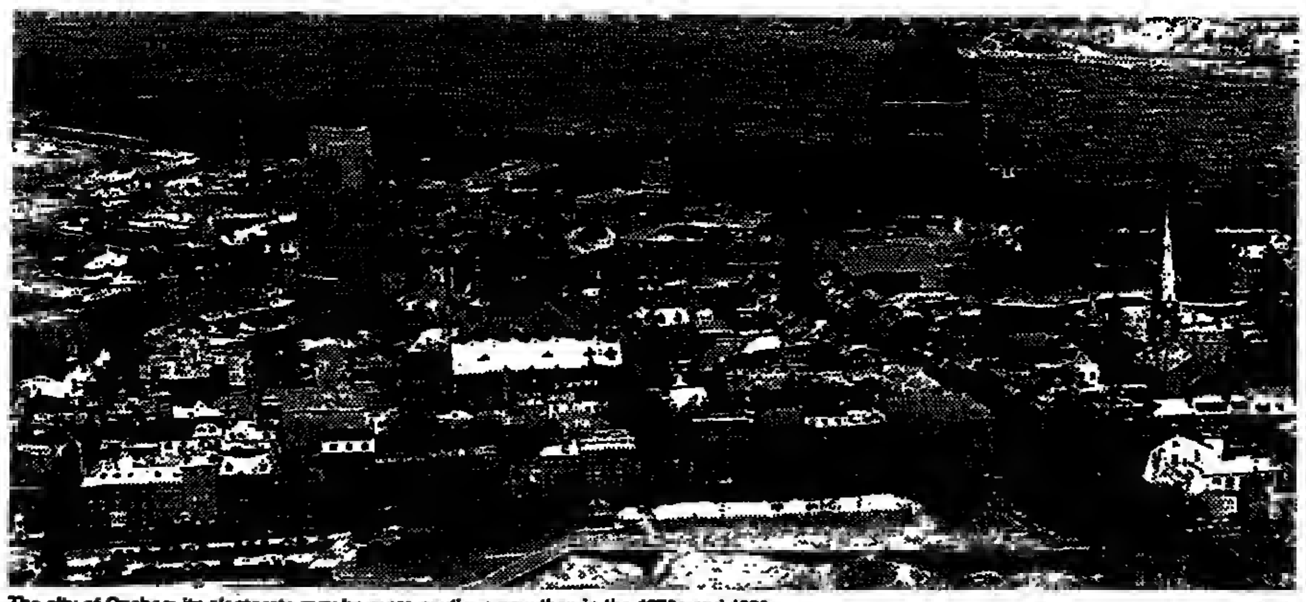
He knows, however, that the Quebec electorate is older and more cautious than in the 1970s and 1980s, and that first-past-the-post in 1994 does not mean the subsequent referendum is won. Both sides have sought the blessing of international investors and politicians. Mr Johnson has won approval so long as he keeps a tight rein on budget spending. Mr Parizeau has met the same scepticism as in 1977, just after the PQ first took power. The typical US view is that Quebec can get what it wants from Canada and cannot afford to go it alone.

Mr Jean Chrétien, the federal prime minister, in the tradition of his mentor, Mr Pierre Trudeau, is implacably against separation or sovereignty.

The election will probably come in September. Quebec, with 7m people, is Canada's second biggest province after Ontario and 99 per cent French-speaking outside Greater Montreal. Montreal's Francophone population is about 70 per cent of a total 3m; the balance is Anglophone and "Allophone", in other words, those whose mother tongues are neither English nor French.

Both Mr Johnson and Mr Parizeau lack seasoned supporting talent and inherit a heavy baggage of past mistakes. Voters remember the PQ government's disintegration after failing to carry the 1980 referendum on sovereignty. But they blame the Liberals for 12 per cent unemployment and the decline of Montreal – key to the province's economy.

The PQ's 1979 legislation to protect French, make it the language of work and restrict immigrants' access to English schools, retains solid Francophone support. The Liberals can make only token concessions.



The city of Quebec: its electorate may be more cautious now than in the 1970s and 1980s — Tony Burke

Since 1990, the economy has been hit by the North American recession and depressed world commodity prices, accelerated Canada-US free trade, defence cuts and the soaring costs of health and other public services. Old industries have withered. A new economy, based heavily on research, aerospace, communications, software, electronics and pharmaceuticals, is taking shape slowly.

A wave of investment in hydro power and primary aluminium plants has tapered off. Many new industrial projects are delayed by political uncertainty.

The PQ won five by-elections in a row before the Liberals turned the tide in March. The polls have consistently shown the PQ ahead, though Mr Johnson leads Mr Parizeau in personal popularity.

But Quebec's most popular politician is the charismatic Mr Lucien Bouchard, leader of the Bloc Quebecois, which promotes the separatist cause at the federal level. The BQ took 54 of Quebec's 75 seats in the October 1993 federal election and Mr Bouchard became Opposition leader in Ottawa.

Many PQ supporters would prefer Mr Bouchard as their leader, saying he could best lead them to victory in the coming election. His "sovereignty" and "independence" options sound more palatable to anxious voters than Mr Parizeau's hardline "separation" and his curt dismissal of Canada and all its sins.

The Quebec Liberals have studied the 1993 rout of the federal Conservatives and a come-from-behind victory by Mr Ralph Klein's Conservatives in Alberta. They have consulted the Conservatives in Britain. But no Quebec party has won a third successive majority mandate since 1952.

Another handicap is that 35 of the 92 Liberals elected to the national assembly in the last election in 1989 are not running again – including some big names. The Liberals at present hold 79 of the 125 seats in the national assembly, compared with the PQ's 33.

The Liberals see the risks quite clearly. Though the economy is slowly turning, spurred by the US upsurge, real growth may not reach the predicted 3 per cent or enough to meet job-creation promises. Moreover, public sector cutbacks, overseen by Mr Johnson as Treasury Board head, are not yet complete.

"If we could translate Mr Johnson's personal popularity into voter intentions, we'd be talking about how many seats we're going to win," says Mr John Parisella, Liberal campaign chairman. He claims the Liberals have some big names ready to run in several "safe" Montreal ridings.

Mr Parizeau's strategy is clear. If the PQ forms the next government, he says, the national assembly will pass a resolution starting the process of separation and the division of Canada's assets and liabilities. A referendum will follow.

"People who vote PQ will have thought it through and I want no ambiguity," Mr Parizeau says. He promises the referendum question will be simple and clear this time. But the "new" Quebec would aim to retain the Canadian dollar as its currency and accept Bank of Canada policies.

The PQ remains the only alternative and attempts to set up a third party have failed miserably.

Mr Johnson says Quebec must remain an important part of the federal system to prosper in the era of global trade. It must actively spur private sector investment and cultivate the new economy. "We must remain outward-looking and benefit from world trade," he says.

About one-third of the electorate is undecided. It is still not clear whether Mr Johnson can overcome history and win the Liberals a third term.

Laurie Morse on the impact of multinationals on trade

US investment rises sharply

Foreign investment in Canada has begun to swing up again, bolstered by exchange rate advantages, new trade agreements that will open more international markets to products made in Canada and a healthy recovery in the US economy.

Nearly 45 per cent of Canada's manufacturing output was exported to the US last year, making the economic health of Canada's huge southern neighbour an inescapable consideration when it comes to investment. Canada is currently running a $12bn international trade surplus, and is in the midst of an export-led economic recovery.

Companies wishing to broaden their presence in North America are increasingly turning to Canada for specialised manufacturing operations, capitalising on the benefits of a cheap currency, a highly-educated workforce, good labour relations and proximity to the largest consumer market in the world.

These factors for many companies offset the negative influences of high taxes and the risks associated with the threat of a political split between Canada and francophone Quebec.

A survey of current business conditions published in March by the US Commerce Department described Canada as one of the biggest beneficiaries of a $5.3bn, or 8 per cent, worldwide increase in investment planned by US companies in their affiliates abroad in 1994. Canada will receive a full $1.3bn of the increase, second only to investments planned for affiliates of US companies located in Asia and the Pacific.

US companies plan to spend $8.7bn in improving or adding to their Canadian operations this year, the highest since 1990, and a 16 per cent increase over 1993. The jump in US investment follows a difficult restructuring period in Canada, which saw a number of multinational companies rationalise operations and streamline marketing and manufacturing strategies.

"What's happened here over the last 15 years is that there has been a greater degree of specialisation," says Mr Jason Myers, chief economist for the Canadian Manufacturers' Association. "Ten years ago, a multinational company would have manufactured 10 or 12 products in Canada and imported several others. Now, the same company will produce one or two products in Canada, but will do it on a large scale for worldwide distribution." This consolidation, he says, has forced the small Canadian suppliers to rationalise as well.

The new interest in multinational investment in Canada, then, is more to expand and modernise existing operations than to open new facilities.

Merger and acquisition of Canadian companies by foreigners has remained relatively stable over the past two years, representing about $5bn, with US, UK and Hong Kong interests making the largest deals in 1993, according to global investment statistics compiled by KPMG Peat Marwick.

□ □ □

Three industries are seeing the bulk of the new capital infusion – oil and gas; vehicles and transportation equipment, and mining. In vehicles, a recent surge in North American car demand has caused Ford to invest about $3bn at its Canadian plants in the past two years, and Chrysler another $2bn, according to Mr Slawek Skorupinski, director-general of the automotive section at Canada's Department of Industry. Eighty per cent of cars produced in Canada are exported.

Ford and Chrysler are adding third shifts to their Canadian plants to meet surging demand. All the big three car manufacturers have modernised their factories in Canada and are launching products, according to Mr Skoropinski. Ford, for example, has retooled its old Tempo Topaz plant in Oakville, Ontario to be the sole producer of its new family mini-van, which is expected to compete with Chrysler's popular Voyager model.

US-owned carmakers will together increase their investment by 53 per cent, or $1.7bn, in Canada in 1994, a boost that looks particularly strong considering it follows a 42 per cent increase in 1993.

However, not all vehicle manufacturers are sharing equally in the rise in demand for new cars. Hyundai recently shut a Quebec plant that had been producing its Elantra model, leaving 700 people without jobs. Hyundai's problem, Mr Skorupinski says, is that it was not successful in generating demand in the North American market.

Canada's western provinces have been thriving on expansion in the energy industry. In 1992, Canada's federal government revised its regulations regarding foreign investment for oil and gas exploration and development, putting foreigners on an equal footing with Canadian companies and opening up the industry to outside capital.

With exploration success rates in Canada averaging about 50 per cent, compared with about 25 per cent in the US, multinational oil companies have expanded their operations here. Eastern provinces are not entirely left out of this movement. Several US oil companies will plough about $2.5bn into their Canadian operations this year to develop crude oil reserves off the coast of Newfoundland.

Natural gas investments are also on the rise. Existing North American natural gas pipelines are currently operating at high load factors, making several expansion projects necessary. With Mexico's entry into the North American energy grid, Canadian companies will produce and export related equipment as the US develops the Mexican market.

Reform of the social security programme is on the way

Safety net catches too many

Canada is a rich country – but the social safety net which successive governments have devised over five decades has become unaffordable.

Nearly C$40bn a year is spent by the federal government alone on social programmes ranging from unemployment insurance and welfare benefits to student loans and training for the disabled. The country's 10 provinces and two territories spend billions more.

Canadians have become tired of paying high taxes. They also fear the foreign borrowing that has made the spending possible in recent years will become impossible as lenders succumb to concern about high debt levels.

What is worse, there is almost universal agreement that many of the country's very expensive social programmes do not work.

Ms Judith Maxwell, associate director of the School of Policy Studies at Queen's University in Kingston, Ontario, says both the unemployment insurance and welfare (social assistance) programmes were designed for the 1950s and 1960s when there was full employment.

"The original design of unemployment insurance was that it was to help people who were on temporary lay-off and expecting to return to the same job," she says.

"The intent of social assistance was that it was for people who were unemployable. Now half of the people on social assistance are fully employable."

Ms Maxwell is one of the experts on a social services task force set up by Mr Lloyd Axworthy, the federal human resources minister. The task force is about to come up with reform proposals, from which a parliamentary committee is expected to produce recommendations in the autumn.

"It's especially difficult in Canada," Ms Maxwell says of the search for reforms to the social safety net. The powers and responsibilities of the federal and provincial governments are clearly set out in the Canadian constitution, and jealously guarded by politicians at each level.

For example, the provinces are responsible for education and social security, but unemployment insurance comes under the federal wing.

Over the years, however, the federal government has used its taxing powers to entice the provinces into various social programmes such as universal health care and welfare.

Looters in downtown Toronto: more single males are collecting benefit and the overall cost has become unaffordable — Hans Deryk/AP

"It's very difficult for one level of government to institute reforms without having big spill-over effects on another level of government," says Ms Maxwell. "If the federal government makes changes (to unemployment insurance), then it pushes people onto the welfare system, which is provincial jurisdiction, Ms Maxwell says.

Conversely, provincial governments will sometimes tailor job-creation programmes to make people eligible for unemployment insurance, which is a federal responsibility.

Social assistance has even become a political football between provinces. Recently, British Columbia claimed it was experiencing an influx of welfare claimants after the neighbouring province of Alberta cut its level of benefits.

Mr John Richards, an economist in the business faculty at Simon Fraser university in Burnaby, British Columbia, says that Canada has among the most generous unemployment benefits of countries in the Organisation for Economic Co-operation and Development. But the Canadian insurance scheme "certainly has a number of perverse incentives".

Mr Richards makes a distinction between "passive" measures that hand money over to the unemployed, and programmes such as training and mobility grants designed to make people work.

"Canada spends relatively more on the passive than on the active," he says. Other countries such as Sweden and Germany that spend heavily on social programmes place more emphasis on the active.

Ms Maxwell says spending on job creation and training will have to be increased. "We have to find more efficient ways to do what we do but we also have to fill some glaring holes in the social safety net," she adds. "We don't have any kind of adequate system for child care or parental leave."

As social safety reforms are rolled out over the next year or two, training and other programmes may be introduced, but the problems will not be solved without attacking the unemployment insurance and welfare programmes.

Unemployment benefits cost about C$19bn a year. The fiction that the system is self-insuring is becoming harder to sustain as Canada experiences a jobless recovery with unemployment stubbornly stuck at about 11 per cent. The fund is now more than C$5bn in the red. The likely solution is that it will become more difficult to claim benefits.

The current implicit subsidy to seasonal industries is also likely to be reduced or eliminated. At the moment, an employee in a sector such as fisheries can work as little as 10 weeks a year and claim for the other 42.

Social assistance, which was originally supposed to help the most desperate and unemployable, is costing the federal and provincial governments about C$21bn a year.

Mr Derek Brackley, an economist with the British Columbia and Yukon branch of the Canadian Ministry of Human Resources Development, says that the biggest change to social assistance in recent years has been in the profile of people collecting benefits.

"The number of single males has gone up astronomically over the past few years," he says. However, most of these get off welfare fairly quickly, while families tend to collect benefits for a long time.

Mr Brackley says the heads of single-parent families find they are better off on social assistance. Minimum-wage jobs do not pay enough to cover such work-related costs as day-care, extra clothing and transportation.

Experts expect the system will be redesigned to make it more financially attractive to return to the workforce.

"I think there's a consensus that we need a different incentive system," Ms Maxwell says. But she warns that governments will have to take care to cushion the blow for the casualties of the adjustments.

"If you start tearing down an existing social structure, you create losers. You can't simply write off the people who are unable to adapt," she warns.

Stephen Wisenthal

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Atlas Conv. Equip. 15p
Bentalls 1.4p
Davis Service 5.25p
ENSERCH $0.05
IBM Credit Yen-linked FRN's '95 $186.42
Japan Air. 7½% Gtd. Bds. '96 Fr750
Marley 2.1p
Pittencrieff 4p
Prudential Currency Fd. Ptg. A Prf. 3.4p
Do. Ptg. B Prf. £3.4
Rockwell Intl. $0.25
St. Ives 1.9p
Scotish TV 10.2539p
Sumitomo Bank Cap. Mkts. Gtd. Fltg/fxd. Nts. 2002 $21549.31
Thomson Clive Invs. 3.8p
Tokyo Elec. Power 11% Nts.'01 £110
Wace 2.5p

■ TOMORROW
Astec 0.5p
Brooks Service 1p
Creditanstalt-Bank. Creuset SA Fr0.44
Hongkong Land (Bermuda) $0.0685
Do. (HK Reg.) $0.529163
Do. (Jersey Reg.) $0.0685
Northern Rock Bldg. Soc. Sub. FRN's '02 £1617.43
Norway FRN's '02 $126.39
Rand Mines R0.23

■ WEDNESDAY JUNE 8
Abbey National Gtd. FRN's '99 $9.62
Cardiff Auto. Receivables Securitisation UK No.2 Class A FRN's 1997 £140.52
Do. Mezzanine FRN's 1997 £166.99
Dairy Farm Intl. (Bermuda) $0.041
Do. (HK Reg.) HK$0.316733
Do. (Jersey Reg.) $0.041
Korea-Europe $0.01
Do. IDR $5
Nat. West. Bank Var. Rate Cap. Nts. '09 £140.21
Nationwide Bldg. Soc. FRN's '95 £131.7
New Zealand FRN's '96 $174.87
Nippon Chemi-con Gtd. FRN's '96 $195.64
Reed Intl. 5% (3½% net) Prf. 1.75p
Do. 7% (4.9% net) Prf. 2.45p
Standard Chart. Und. Prim. Cap. FRN's (Sers. 3) $184.53

■ THURSDAY JUNE 9
Abheuser-Busch $0.36
Antofagasta 15p
Beckman (A.) 1.2p
Boosey & Hawkes 19p
City Centre Restaurants 1.33p
European Inv. Bank 9½% Ln. '09 £237.5
Jardine Strategic (Bermuda Reg.) $0.085
Do. (HK Reg.) HK$0.6566
Do. (Jersey Reg.) $0.085
Mandarin Oriental Intl. (Bermuda Reg.) $0.0359
Do. (HK Reg.) HK$0.27731
Do. (Jersey Reg.) $0.0359
Treasury 10% Ln. '94 £5
Do. Fltg. Rate '99 £0.9559

■ FRIDAY JUNE 10
African Lakes 0.5p
Allied Signal $0.1675
APV 3.4p
Aqaurius Plus FRN's 2000 $265.42
Brit. Empire Secs. & Gen. Tst. 0.25p
Treasury 8% 2003 £4
Chevron $0.925
Coles Myer A$0.11
Dun & Bradstreet $0.65
Exxon $0.72
Finsbury Growth Tst. 0.9p
Gen. Motors $0.2
Grace (WR) $0.35
Great Southern 8.2p
Hapoalim Intl. Gtd. FRN's 2001 $189.58
Houston Inds. $0.75
HSBC 16.5p
Do. HK$10 HK$1.8843
IBM $0.25
Ipeco 2.3p
Jardins Matheson (Bermuda Reg.) $0.152
Do. (Jersey Reg.) $0.152
Jerome (S.) 0.3p
Laing (J.) 6p
Do. A NV 6p
Laird 8.5p
Lloyds Chemists 2.7p
Mobil $0.85
OGC Intl. 3.5p
Quicks 3p
SABRE Intl. Sers. N Var. Rate Secd. Nts. 1996 Y63011
Do. Sers. Q Var. Rate Secd. Nts. '96 Y68122
Sumitomo Bank Cap. Mkts. Gtd. Fltg/Fxd. Rate Nts. 2003 $19843.05
Sumitomo Heavy FRN's '98 Y76802
Sun Co. $0.45
Texaco $0.8
Trafford Park Ests. 7⅝% 1st Mtg. Deb. 90/95 £3.25
Do. 9% 1st Mtg. Deb. 91/96 £3.97
Utd. Tech. $0.45
Warner-Lambert $0.61

■ SATURDAY JUNE 11
Hafslund Nycomed AS A NKr4.4

■ SUNDAY JUNE 12
Eaton Fin. NV 12½% Uns. Ln. 2014 £6.25

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Alexandra Workwear, Institute of Directors, 116, Pall Mall, S.W., 11.00
Chelsfield, Royal Festival Hall, South Bank Centre, S.E., 11.00
NB Smaller Co's Tst., Saltire Court, 20, Castle Terrace, Edinburgh, 12.30
Perry Grp., Cambridge House, Bluecoats Avenue, Hertford, 12.00
BOARD MEETINGS:
Finals:
Acal
BAA
Blacks Leisure
EFM Inc. Trust
EMAP
London & Metropolitan
Northern Investors
UK Land
Interims:
Hoare Govett Smaller Cos. Index
Intercare
Treatt

■ TOMORROW
COMPANY MEETINGS:
Brammer, Glaziers Hall, Montague Close, London Bridge, S.E., 12.00
El Oro Mining & Expln., 41, Cheval Place, S.W., 11.30
Exploration Co., 41, Cheval Place, S.W., 11.15
Frost Grp., The Brewery, Chiswell Street, E.C., 11.00
Jacks (Wm), Sunningdale Carriage Co., London Road, Sunningdale, Berks., 12.00
Owen & Robinson, Broadwalk House, 5, Appold Street, E.C., 10.00
Stylo, Harrogate Road, Apperley Bridge, Bradford, 11.00
S & U, Plough & Harrow Hotel, Hagley Road, Birmingham, 11.30
Tarmac, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 12.00
United Energy, 62, Threadneedle Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Allied Colloids
Amersham
Anglian Group
Anglian Water
CML Microsystems
Gartmore Value Inv.
Great Portland Estates
Ingham
Leigh Interests
Norcros
Penna
Powerscreen
RPC
St. James Place Capital
Staveley
TR Property Inv. Trust
Vodafone
Interims:
Apollo Metals
Turkey Trust

■ WEDNESDAY JUNE 8
COMPANY MEETINGS:
Amec, Holiday Inn Crown Plaza Midland Hotel, Peter Street, Manchester, 12.00
Blockleys, Park House Hotel, Shifnal, Shropshire, 12.00
Elys (Wimbledon), 22-26, Wimbledon Hill Road, Wimbledon, S.W., 6.00
Havelock Europa, Mossway, Hillend Industrial Park, Dalgety Bay, Fife, 12.00
Helical Bar, May Fair Hotel, Stratton Street, W., 11.30
Hopkinsons Grp, Ramada Hotel, Blackfriars Street, Manchester, 11.30
London & Assoc. Inv. Tst., 30-34, New Bridge Street, E.C., 12.00
London & Manchester Grp., Armourers Hall, 81, Coleman Street, E.C., 12.15
BOARD MEETINGS:
Finals:
Alphameric
Anglo United
Caffyns
Cape
Carlisle
Deelkraal Gold Mining
Doornfontein Gold Mining
Driefontein Cons.
Drummond
Electrocomponents
Gartmore Shared Equity
Hambros
Kloof Gold Mining
Melville Street
Meyer
Northern Foods
Racal Electronics
Scottish Hydro-Electric
Turnpyke
Waddington (J)
Interims:
Blick
Chemring
Daily Mail & General Trust
Eldridge, Pope
French (Thomas)
Greencore
Greenwich Resouces

■ THURSDAY JUNE 9
COMPANY MEETINGS:
Antofagasta Hldgs., Chartered Accountants Hall, Moorgate Place, E.C., 11.00
Austin Reed, 16-21, Sackville Street, W., 12.00
City Centre Restaurants, George Inter-Continental Hotel, 19-21, George Street, Edinburgh, 11.00
EIS, Brewers Hall, Aldermanbury Square, E.C., 11.30
Etam, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 12.00
HTV, Television Centre, Culverhouse Cross, Cardiff, 12.30
Hewden Stuart, Glasgow Royal Concert Hall, Buchanan Street, Glasgow, 12.00
Mowlem (John), Building Employers Confederation, Cavendish Conference Centre, 18-20, Duchess Mews, W., 12.00
Saatchi & Saatchi, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Tilbury Douglas, Barber-Surgeons Hall, Monkwell Square, E.C., 11.30
BOARD MEETINGS:
Finals:
Bristol Scotts
Chubb Security
Field
Johnson Matthey
Lyons Irish
Martin Shelton
Northumbrian Water
Osborne & Little
Oxford Instruments
Powergen
Proteus
Scapa
600
Interims:
Chrysalis
Dewhurst
GWR
Lonrho
Premier Land
Widney
Willoughbys Cons.

■ FRIDAY JUNE 10
COMPANY MEETINGS:
Greenacre Grp., Copper Inn, Pangbourne, Berks., 10.30
Martin Int., Swallow Hotel, South Normanton, Derbys., 12.15
Morgan Crucible, Hotel Intercontinental, 1, Hamilton Place, Hyde Park Corner, W., 12.30
Shorco Grp., Cross Green Way, Leeds, 12.00
Sykes-Pickavant, Kilnhouse Lane, Lytham St. Annes, 12.00
BOARD MEETINGS:
Finals:
Bulgin (AF)
Carlisle
Cohen (A)
Ensor
Park Food
Rhm
Somic
Welsh Water
Interims:
Gold Fields Coal

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

JUNE 9-10
BUSINESS PROCESS RE-ENGINEERING SEMINARS & WORKSHOPS
Continuing a successful series of seminars for executives and senior managers charged with designing and implementing BPR initiatives. Established blue chip client list. Presented by a leading US practitioner, our guide is illustrated with case studies and workshops. Course book available. Repeated September 19-20. Contact: Richard Partis, Vertical Systems Intercede Ltd Tel: +44-455-250266 (24 hours) Fax: +44-455-890821
LONDON

JUNE 10
TECHNOLOGY TRANSFER - BLOCK EXEMPTION REGULATION
Full day debate on EC's controversial draft Block Exemption Regulation to replace those on patent and know-how licensing. Proposal for exclusivity and permissible import/export bans are big issues. Speakers include Dr S Gattuso (DG IV) plus business leaders, patent attorneys and lawyers.
Contact: Renate Siebrasse, LES
Tel: 071 493 0184 Fax: 071 629 9705
LONDON

JUNE 12-17
***ALPHATANIA* - THE PRACTICAL ESSENTIALS OF NATURAL GAS**
Five-day seminar designed both for those who are newcomers to the gas business, and specialists who are unfamiliar with certain commercial/technological aspects and need to broaden their knowledge. Programme covers whole spectrum of gas business from exploration through to end-users.
Contact: Anita Gardiner, The Alphatania Group, London -
Tel: +44(71) 613 0087 Fax +44(71) 613 0094
CRICKLADE, ENGLAND

JUNE 14
MAINTAINING HARMONY WITHIN THE FAMILY
A Workshop for Family Businesses
Relationships within family businesses are complicated by emotional ties. This evening workshop highlights the advantages of using mediation to encourage effective communication, gives guidance on separating fact from emotion and demonstrates how to move from adversity to consensus.
Contact: Fria Truffali, Stoy Centre for Family Business
Tel: 071 486 5888
LONDON

JUNE 14
MANAGEMENT BUY-OUTS
Management buy-outs are established and well recognised transactions. The comprehensive programme of this conference, in association with Gresham Trust, will provide an in-depth examination of MBOs. The emphasis will be on practical advice with case studies from directors who have led successful management buy-outs.
Director Conferences 071 730 0022
LONDON

JUNE 15 & 16
FT TRANSPORT IN EUROPE
The meeting will focus on the implications of Community proposals for the Trans-European Networks and the prospects for public-private partnerships to finance Europe's transport infrastructure.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
LONDON

JUNE 16
PROSPECTS FOR LOCAL MARKETS AFTER THE RECESSION
Aims to highlight strategic influences affecting local markets and economics, helping to develop new ideas and more effective local marketing strategies for the future. Cost £50 + VAT.
Contact: Jacqui Gotts
Tel: 071 353 9961
LONDON

JUNE 16-17
GREECE IN A CHANGING EUROPE
Old Theatre, London School of Economics
Political and economic relations with EU. International academic speakers, political leaders (Theo. Pangalos, Greek Minister for Europe). Fee: £25/£5 students; to "Greek Conference": The European Institute, London School of Economics, Houghton St, Aldwych. London WC2A 2AE
LONDON

JUNE 17
THE LONDON SCHOOL OF ECONOMICS
is offering a one day course entitled Some Lessons From Japan designed to familiarise British manufacturers with methods of subcontracting used in Japan. The Course is based on a recently completed research programme carried out in Japan by Dr Oietzmann of the LSE.
Contact: LSE Short Courses Office
Tel: 071 955 7227
LONDON

JUNE 17
BPR FORUM
A one day, participative session: BPR, an explanation, it's origin & principles; The challenge facing business in the 90s; BPR case studies from a range of industry sectors; Managing Change and where to start; Membership of the BPR Study Group
Cost: £150 + VAT.
Contact: Hanson Associates
Tel: 0285 885201 Fax: 0793 752592
EDINBURGH

JUNE 20-21
THE BUSINESS OF LICENSING
Annual Conference of the Licensing Executives Society Britain and Ireland. Keynote speaker Ian Harvey (BTG) on intellectual property rights in a changing world. Other speakers from UK, Ireland, USA giving international perspectives. Workshops on licensing updates, healthcare, computers, trade marks, design rights, etc.
Contact: Renate Siebrasse
Tel: 071 493 0184 Fax: 071 629 9705
DUBLIN

JUNE 21
ENVIRONMENTAL AUDITING
An important one day course run by the British Library designed to clarify what an environmental audit is, why you should do one and what benefits you will gain. Venue: Science Reference and Information Service. Cost: £145 + VAT.
Contact: David DuBuisson
Tel: 071 323 7470
LONDON

JUNE 21
"MYTHS AND REALITIES"
NEW BUSINESS OPPORTUNITIES IN INDIA
The foremost Conference on India post 1994 Indian budget, bringing together a high profile delegation of leading Government, Legal and Business experts from India and Britain. Auspices of the DTI.
Carlton Corporation
Tel: 081 577 7713 Fax: 081 813 8136
LONDON

JUNE 21 - 23
ICAP 94 - Information Capture & Processing Exhibition & Conference
Featuring a wide range of suppliers to the auto identification industry. The conference brings 10 expert speakers to discuss automatic identification solutions for and users in major market sectors such as banking, brewing, healthcare, manufacturing, and more. A half-day workshop on the basics of automatic identification is available to those new to the industry.
Contact: Advanstar Communications
Tel: +44 244 378888 Fax: +44 244 370011
BIRMINGHAM

JUNE 22 & 23
IMPLEMENTING PRACTICAL PERFORMANCE MEASURES ACROSS YOUR BUSINESS PROCESSES
This conference is designed to take the delegate through a structures learning programme consisting of 13 practical case studies illustrating how to implement and operate performance measures in Customer Service, Quality and Human Resources.
Contact: Sarah Pearce
Tel: +44(0)71 637 4383 Fax: +44(0) 71 631 3214
LONDON

JUNE 22-28
RE-ENGINEERING TO CREATE WORLD CLASS PERFORMANCE
Executive briefings on World Class Management issues. a. Business Process Re-Engineering and Workflow Automation, b. Re-Engineering the Manufacturing Process - towards World Class Manufacturing.
Contact: Vicki Welham, World Class International Limited
Tel: 0705 268133
VARIOUS

JUNE 23
COMPETITIVE FINANCIAL RATIO ANALYSIS
Forum Hotel, Kensington.
Evaluating company performance from published accounts.
Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 9244 Fax: 071 580 6991
LONDON

JUNE 23
TOTAL INNOVATION MANAGEMENT: IDEAS INTO ACTION FOR IMPROVED PERFORMANCE & PROFITABILITY
Innovation matters. Directors know this. The question is how to engineer your organisation for the appropriate levels of innovation. This conference, chaired by Robert Heller is organised by The Strategic Planning Society.
Contact: Jo Maiocc, The Strategic Planning Society Tel: 071 636 7737
LONDON

JUNE 24
CHINA: OPEN FOR TRADE AND INVESTMENT
Business intelligence for firms assessing opportunity in China. Speakers from DTI, Glaxo, Manchester Business School, Lancaster University Management School etc. Session on cross-cultural business etiquette. Panel discussion with experts from Chinese Embassy, Foreign office, China-Britain Trade Group.
Contact Sue Eccles
Tel: 0524 594013 Fax 0524 381454
LANCASTER

JUNE 27
SOVEREIGN RISK - A CREDIT ANALYSIS WORKSHOP
Thomson BankWatch, the international credit rating and analysis agency, is running a workshop to teach the techniques and strategies for understanding country risk. Country risk analysis techniques are applied to both OECD countries and emerging markets.
Contact: Ian Rothery
Tel: 071 353 1768 or 071 815 0406
Fax: 071 815 0408
LONDON

JUNE 27 - 28
THE BUSINESS OF FUND MANAGEMENT COMPETITIVE STRATEGIES FOR THE 1990s
The seminar will discuss the issues affecting the development and competitiveness of the money management business. It will take a fresh look at: market penetration strategies, the management of people, finances, information technology and suppliers.
EUROMONEY
Tel: 44 71 779 8683 Fax: 44 71 779 8603
LONDON

JUNE 28
RELOCATION POLICY & PRACTICE UNDER THE NEW TAX REGIME
A CBI/Ernst & Young seminar on domestic and international relocation to explain: the new tax rules and employers' reporting obligations; how organisations are reviewing relocation policies and practices; and the results of a major survey on company practice.
Contact: Sandra Aldred CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

JUNE 28
THOMSON BANKWATCH
Bank Credit Analysis Workshop
Teaching the fundamentals of Bank Credit Analysis, focusing on qualitative and quantitative factors. Begins with discussion of the significance of banking system structures, followed by a review of analytical techniques, financial statements analysis, peer comparisons and trend analysis.
Contact: Ian Rothery
Tel: 071 353 1768/071 815 0406
Fax: 071 815 0408
LONDON

JUNE 28/29
INTRODUCTION TO RISK MANAGEMENT
Training course covering treasury derivative markets, Currency Options, SAFEs, FRAs, Futures, Interest rate swaps and related products. For Corporate Treasurers, bank dealers and marketing executives, financial controllers, systems and support personnel. £480 + V.A.T.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

JUNE 29
CREST - THE DEVELOPMENT FRAMEWORK
For business and systems analysts led by the Bank of England CREST Project Team which examines technical aspects of the CREST system development. This half-day conference features workshops on Networks and Security Registration, Instruction, Input and Access to Information. Price: £75 +VAT. Contact: Sally-Ann Bezani - Securities Institute (Services) Ltd.
Tel: 071 626 3052 Fax: 071 626 3062
LONDON

JUNE 29
INTERNATIONAL WHEAT COUNCIL, WORLD GRAIN CONFERENCE 1994
Speakers from major grain importing and exporting countries will explore policy adjustments in the post-Uruguay Round trading environment. Prominent traders will examine challenges facing the milling and malting industries.
Contact: International Wheat Council
Tel: 071-513 1122 Fax: 071-712 0071
LONDON

JUNE 30 - JULY 1
RAISING EQUITY AND EQUITY-LINKED INTERNATIONALLY
The seminar will focus on the issues faced by corporates when issuing capital internationally: balance sheet structure, instruments choice, risks and rewards ... Workshops will look at: using derivatives, maximising the conversion chances, targeting international institutional investors, changing the syndicate structure.
EUROMONEY
Tel: 44 71 779 8683 Fax: 44 71 779 8603
LONDON

JULY 4
US GOVERNMENT PROCUREMENT CONFERENCE
Policies, Procedures, Legal Issues and Diversification Opportunities
A high level seminar with US speakers from the Washington-based British American Business Council; the American Bar Association, the first secretary (commercial) of the British Embassy and speakers from Coopers & Lybrand and the University of the West of England.
Contact: Richard Dennery, RDA Communications Strategy
Tel: +44 275 856700 Fax: +44 275 858569
BRISTOL

JULY 4
NAVIGATING THE INFORMATION SUPERHIGHWAY Media convergence & your marketing strategy
This conference will examine the policy implications, the battle for control and the significance for marketing and advertising. Are you ready to interact with the consumer? Contact: Nick Jones, Marketing Week Conferences
Tel: 071 434 3711 Fax: 071 287 8706
LONDON

JULY 4 - 8
THE JIT/KAIZEN WORKSHOP
As featured on FT Management Page on 4th January: Five days' intensive hands-on experience for senior managers in world-beating productivity improvement techniques, in a real factory. Free video and copy of FT article also available.
Contact: Sarah Bisby, Kaizen Institute of Europe
Tel: 071 713 0407 Fax: 071 713 0403
SOUTH WALES

JULY 4 & 14
STRATEGIC PROCUREMENT IN THE 1990s: Concepts & Cases
Two linked workshops designed to explore leading edge thinking about Strategic Procurement. Each event will combine the work of senior practitioners and leading academics to mix fundamental concepts with practice. They are intended to act as departing point for new purchasing forum.
Contact: The Contracts & Procurement Research Unit, University of Birmingham
Tel: 021 414 3221 Fax: 021 414 3217
BATH/BIRMINGHAM

JULY 5 & 6
GLOBALISATION THROUGH CROSS CULTURAL TEAMWORK
This conference, using practical case studies, will take the delegate through a structured learning programme focused on how to develop and implement an integrated approach to global teamwork and organisational development.
Contact: Sarah Peace
Tel: +44 (0) 71 637 4383
Fax: +44 (0) 71 631 3214
LONDON

JULY 5/6
INTRODUCTION FOREIGN EXCHANGE AND MONEY MARKETS
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. £480 + VAT
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

JULY 5 & 6
NCC94 'EMPOWERING THE ORGANISATION' - The Business of IT
This conference will focus on practical advice on how new and evolving IT solutions are being used to develop effective, real-world, business strategies. NCC94 is specifically tailored for senior IT professionals and senior corporate executives requiring updates on changes involving IT.
Contact: Carol Wright Nat. Computing Centre
Tel: 061-228-6333 or Fax: 061-236-8049
LONDON

JULY 6
SECOND CITY OF LONDON DERIVATIVES CONFERENCE
Bankers, regulators and users discuss supervision, capital adequacy, new product development and problems in the markets. Sponsored by CSFI, Tokai Bank Europe, Arthur Andersen, Freshfields and Lombard Risk Systems. David Mullins Keynotes.
Details from: Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

JULY 6
RUSSIA & FORMER SOVIET UNION Commerce & International Affairs Opportunities
Important strategic briefing where foremost world specialists on these emerging nations and republics assess their current status, likely developments and future opportunities. Rare insight from experts with unmatched credibility.
Contact: Westrade Fairs Ltd
Tel: 0923 778311 Fax: 0923 776820
LONDON

JULY 6 & 7
FT INTERNATIONAL EQUITY MARKETS
The Financial Times and the Centre for the Study of Financial Innovation are arranging a high level conference on the International Equity Markets. The aim is to provide a high-level forum for stock exchanges, regulators, market practitioners and investors to debate the evolution and future structure of the international equity markets.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
LONDON

JULY 6-8
CONFERENCE ON HUMAN & ORGANIZATIONAL ASPECTS OF MANUFACTURING
Topics include: managing change; lean production; implementing concurrent engineering; design of manufacturing systems; and many more. Fee £399 (includes VAT, lunches, coffee breaks, conference dinner and proceedings).
Contact: Paul Kidd, Phone: 0625 619313; Fax: 0625 619060
MANCHESTER

JULY 7 & 8
INTERNATIONAL CORPORATE INTELLECTUAL PROPERTY PRACTICE
An important opportunity for intellectual property professionals and their advisers to look at new developments and trends, re-examine practices, problems and predictions. The panel of speakers has been carefully chosen for their specialist knowledge and expertise.
Contact: Steve Warner, European Study Conferences Limited
Tel: 071 386 9322 Fax: 071 381 8914
LONDON

JULY 11
PRIVATE SECTOR INVOLVEMENT IN PUBLIC SECTOR SERVICES - THE WAY AHEAD
This event examines the future of competing for quality in the public sector in the UK and overseas against the background of results to date. *Organised by Quadrilect.* Price £295 + VAT.
For brochure telephone: 071 242 4141
LONDON

JULY 12 & 13
FT MULTIMEDIA - Vision and Reality
This major business forum will focus on the key issues facing one of the fastest growing industries, the regulatory and legal framework for industry development, financing the multimedia future, assessing real business applications and potential and the role of strategic alliances in responding to the developing multimedia marketplace.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
LONDON

JULY 13
EFFECTIVE UTILITY REGULATION The Accounting Requirements
CRI/ICAEW Seminar addresses the basis on which financial information should be collected and whether the information is sufficient for regulatory decision making. Speakers include Sir Bryan Carsberg, Office of Fair Trading and Professor John Kay, London Economics.
Contact: Leigh Sykes, CRI
Tel: 071 895 8823 Fax: 071 895 8825
LONDON

JULY 20 & 21
FT EUROPEAN TELECOMMUNICATIONS
This conference will examine the implications of the current trends and the potential business opportunities in the industry due to liberalisation, privatisation, competition and the revolution in multimedia.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
LONDON

NOVEMBER 24
ISRAEL - TRADE & INVESTMENT IN AN EMERGING MARKET
Major conference in association with the Israeli Embassy, London. High level speakers from the Israeli Government & Companies already established in Israel. Topics include The Expanding Economy, Business Development in a High-Tech Environment, Opportunities through Privatisation, Financing, Infrastructure, Science & Technology.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

EXHIBITION

JUNE 21-23
OBJECT WORLD UK
OLYMPIA 2, LONDON
Sponsored by The Object Management Group, IBM and Andersen Consulting, this event focuses on the cost and business benefits of Object Technology, achievable through faster software development, extensive re-use and more effective maintenance. A FREE exhibition and seats at FREE Vendor Seminars are on offer.
Tel: (081) 541 4865 Fax: (081) 974 5188
LONDON

INTERNATIONAL

JUNE 23
CORPORATE SECURITY IN RUSSIA
Are you doing enough for the safety of your employees, property and premises in Russia? This one-day conference addresses four key topics: Company policy towards security issues; Guidelines on personal security; Protecting physical property and installations; Key human resource security issues.
Contact: G de Leonardis, The Economist Intelligence Unit GmbH
Tel: +43-1/712 41 61 0 Fax: +43-1/714 87 69
VIENNA

JUNE 26-27
A POWERFUL GLOBAL ALLIANCE - Infomercial Teleshopping '94
NIMA International's international conference featuring top direct response television executives from North America and Europe. In-depth discussion on regulatory issues and current DRTV trends, followed by six workshop sessions. Contact: Vivien Wallace
Tel: 071-630 9977 Fax: 071-630 9806
*Not affiliated with Netherlands Institute for Marketing.
AMSTERDAM

JUNE 28 & 29
EUROSECURITY '94
IT Security, Industrial Espionage and Fraud *Prevention* Conference. The international meeting place for company executives concerned with IT security. All aspects of IT protection will be covered by world-renowned experts *in this field*.
Société Générale de Développement S.A.
Tel (+322 512 46 36) Fax (+322 512 46 53)
BRUSSELS

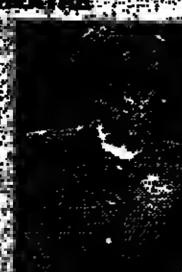
TO ADVERTISE IN THIS SECTION PLEASE CALL JANET KELLOCK ON 071-873 3503

ARTS

OPENINGS

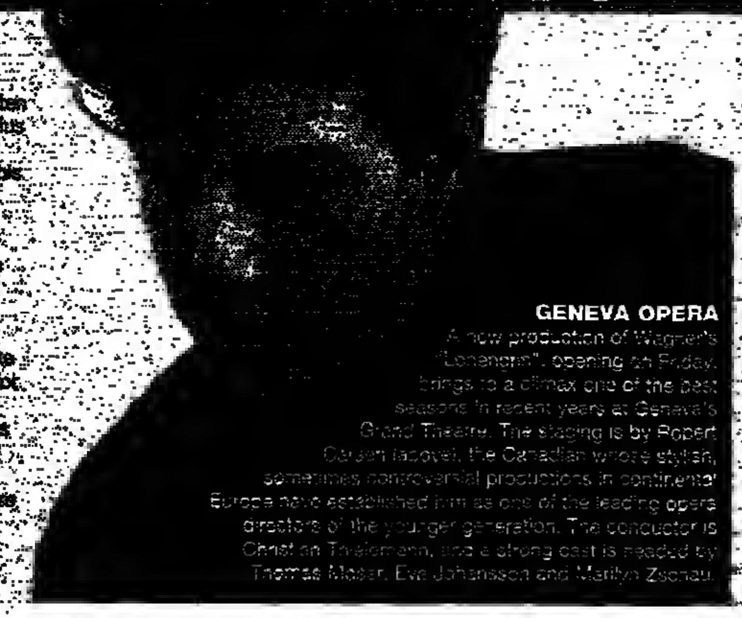
ROYAL COURT THEATRE

The Royal family comes to the London stage on Saturday when Sue Townsend's theatrical and updated version of The Queen and I, her novel about a deposed monarchy transplanted to a council estate, arrives in the main [illegible] of the Royal Court (previews from tomorrow). [illegible] MacKichan [illegible] plays Princess Diana. In the Theatre Upstairs, from Thursday, there is blood, guts, and violence from the Roman playwright Seneca. His Thyestes, adapted here by Caryl Churchill, combines macabre gore and stern moralising.



ALDEBURGH FESTIVAL

The spirit of Benjamin Britten remains the presiding genius of the Aldeburgh Festival, which begins on Friday. This year's programme pairs Britten with Stravinsky, contemporaries and complimentary composers who shared some musical interests, but set out to explore very different personal issues. Both wrote fine medium-scale works for which the intimate atmosphere of the Maltings at Snape is best suited. A handful of premieres and some interesting recitals are other highlights of the festival, which runs until June 26.



GENEVA OPERA

A new production of Wagner's "Lohengrin", opening on Friday, brings to a climax one of the best seasons in recent years at Geneva's Grand Theatre. The staging is by Robert Carsen (above), the Canadian whose stylish, sometimes controversial productions in continental Europe have established him as one of the leading opera directors of the younger generation. The conductor is Christian Thielemann, and a strong cast is headed by Thomas Moser, Eva Johansson and Marilyn Zschau.

VAN GOGH

An exhibition of rarely-seen Van Gogh self-portraits goes on show at Amsterdam's Van Gogh Museum on Friday. The 20 paintings and two drawings all date from the artist's stay in Paris in 1886-7, when he was confronted for the first time with the range of colours used by the impressionists. Five of the paintings have never been seen in public before. They were painted on the backs of earlier works, and have been reframed so that both sides can be viewed.

SADLER'S WELLS

The Washington Ballet (right) comes to London for a first visit. Two programmes will show works by Choo-San Goh (the leading choreographer to the troupe until his death), Niels Christe, et al. In Paris, the Opera Ballet at the Palais Garnier offers a triple bill every evening: vaut le voyage for the glorious dancing in Lander's Etudes and Robbins' In the Night. In New York, New York City Ballet is in mid-and-marvellous-season at the State Theater.

Danger of linking life and art

Jackie Wullschlager argues against one move for political correctness

"Nous Accusons!" began the letter sent to critics covering the recent Dublin Pinter Festival. The Daughters of Eve, a feminist group which gives its address as the University of Southern California, announced the forthcoming trial of three writers: Harold Pinter, John Osborne and Ted Hughes. Their crimes? "Fatal damage" to three women – Vivien Merchant, Jill Bennett and Sylvia Plath, all of whom died, two by suicide and one of alcoholism, after broken marriages with the writers.

"Age has withered their talent," says the letter of Pinter, Osborne and Hughes, "but the continuity of their spite, damage, self-seeking is so far unbroken." Although a feminist trial of Harold Pinter is as offensive to most people as the Islamic *fatwa* against Salman Rushdie, the Daughters of Eve – who see art as an extension of personality – reflect a wider shift towards the politicisation of an artist's life.

"Perfection of the life, or of the work?" Yeats once asked. When he wrote, few readers cared about the facts of the writer's existence. In the past 15 years, however, there has been a surge of literary biography and an explosion of interest, which is changing the fundamental way we think about the relation between life and art.

"Biography is listening to backstairs comment and reading people's mail," says Janet Malcolm, whose controversial book *The Silent Woman*, about the battle between Hughes and the "cultist" biographers who see Sylvia Plath as a feminist martyr, has just been published in the US. Last year, after Andrew Motion's biography of Philip Larkin, and the publication of Larkin's own letters, revealed racist attitudes – "too many fucking niggers around" – and sexist tastes – a penchant for schoolgirl bondage – there were calls for his poems to be banned.

To trace this movement is to see a cloud of censorship emerging from our most liberal and individualistic traditions. In an individualistic society, it is natural that the writer becomes the celebrity, almost a consumer icon, as well as in some sense our representative – an Everyman whose life tells us about our own. Hence the bestselling status of recent biographies such as Richard Ellmann's *Oscar Wilde* or Victoria Glendinning's *Trollope*. And in a culture which flatters itself on its lack of repression it is also inevitable that we assume the writer's private life, like his work, is our public property.

In so far as this effects our aesthetic responses, it is usually to enrich them – most literature is grounded in personal experience, and is a better read when we know what that experience was. But recently other cultural trends have come into play – political correctness, the tendency to conformism, to simplify and to be over-literal. Together, these encourage a conflation of an artist's life and work, and the passing of an inappropriate moral judgment on both.

There are the modern giants whose books we are constantly trying to explain, but who are above moral criticism, such as Joyce. His books are driven by personal experience. When he wanted to write about infidelity, he covertly urged his wife Nora towards an affair, but she saw through him. "Jim wants me to go with other men so that he can write about it," she explained baldly to the suitor he found for her, "but I want only him." Brenda Maddox's *Nora* is a model of a biography which illuminates Joyce's work through a fascinating account of two lives.

But at the other end of the spectrum are the more recent authors whose lives happen to embody current political myths. The hijacking of Sylvia Plath, who gassed herself in 1963 leaving bread and milk by her sleeping children, as an early feminist icon, has prevented serious evaluation of her work beyond those terms. Thus Ronald Hayman's 1991 study reads like a detective story ("had there been a suicide note? What had it said?...was it true that a doll had been found...with pins stuck into it?") in which Plath's poems are used to solve questions about her life.

Where Plath is the good girl, Larkin is the bad guy in the new Life stakes. But *both* are badly served because appreciation of their work risks being subsumed into tokenism. So when Larkin began to be seen – retrospectively – as politically incorrect, a flurry of critics who had previously been respectful suddenly called him a minor poet and there was a new hint of dismissal from the literary establishment. This trend is not limited to the literary world. Something similar happened, to the popular reputation of Woody Allen; many fans vowed never to see another movie after revelations that Allen had betrayed Mia Farrow for her adopted daughter.

Here is ideological revisionism in strong new form. It is a fearful and irrational interpretation of the link between life and art. It masks an intolerance of those we don't agree with, the suspicion of what is not the moral fashion of the day. Enjoyment of Larkin's poetry or Allen's films does not depend on the moral purity of their creators.

"Women who assist in realising the fantasies of Pinter/Osborne/Hughes in any medium are in complicity with them and their crime," say the Daughters of Eve. But fantasies are not separatist subcommittees, and you can't legislate over artistic inspiration, which is an haphazard, sub-conscious amoral affair. Andrew Motion defends Larkin by saying that "art exists at a crucial distance from its creator". Art is timeless and universal, and means different things to different people in different ages, whereas an artist's life is conditioned by his time, and by the morality of the moment when we interpret it.

It may be true that Osborne has exploited his public image as the angry young man of his plays and that this has made his later writing immature, self-indulgent, vacuous: a casualty of his and our cult of the artist. But William Burroughs is an equally powerful case: a writer whose morality few, in any age, would share. He really did kill his wife – he shot her dead at a party – yet the tragedy then inspired one of his best works, the magical lyrics for the rock musical The Black Rider, about a marksman who shoots his lover. The piece opened in 1990, and, as the most innovative of recent musicals, has been a popular hit across Europe, while some of the poetry – "I'll shoot the moon out of the sky for you" – seems likely to last beyond its commercial success.

Artists rarely lead lives which we would call normal; how ironic, in our tolerant, post-Freudian society, to criticise their work because they fail an emotional health test. Artists have always stood on the edge of society: loners like Larkin or radicals like Pinter or angst-ridden neurotics like Allen. The paradox is that, from this position as outsiders they distil, in art, experiences which we can all share – they touch the loner, the radical, the neurotic in all of us. If we allow the straightjacket of conformity or political correctness to tighten, we risk losing the richness of such vision. It is an absurd and horrific form of censorship.

John Osborne and Jill Bennett: when she died he said he regretted being "unable to look down on her open coffin and drop a large mess in her eye"

Ted Hughes: battle

Sylvia Plath: suicide

Vivien Merchant: drink problems

Harold Pinter: radical

Ballet/Clement Crisp

Don Quixote is sadly well off tilt

"Remote and ineffectual Don" wrote Hilaire Belloc – in different circumstances, certainly, but under no less real provocation. The Royal Ballet has marked its return to Covent Garden after an American jaunt by offering us *Don Quixote*. Is it bravado, menopausal caprice, desperation, that dictated this choice? The staging is wrong on every count. Text, score, performances, design, are equally dreadful, equally guilty in deforming a jolly old ballet and showing the company at a total loss, facing drama and dance with the desperate air of people trying to cope with a plague of hornets.

Nothing must save this insolently inadequate production from the breaker's yard, although on Saturday night Sylvie Guillem seized gladly upon it as a show-case for her best qualities. That, in the process, her performance – witty, exultantly brilliant, amused and amusing – made the rest of the cast look even more funereal, like a convention of disaffected corpse-washers and plague-nurses, is no surprise. She darted and flirted, cut every step with exactly the right sophistication (how dowdy our local misses looked by contrast) and enjoyed herself hugely. So did we – when she was on stage.

Mlle Guillem understands how much too far to go in galvanising a ballet which must be lit by a kind of charming sanciness in step and playing. Russian ballerinas – Plisetskaya, Maximova, Kurgapkina, Semenyaka – have taken this choreography and by their own pleasure in the piece have fired their colleagues to join in the fun. Mlle Guillem did her best on Saturday night, and her partner, Oliver Matz from Berlin, matched her in vivacity, but they could not strike sparks from the dank activities surrounding them. I do not think I have ever seen the Royal Ballet look less like a national ensemble: muffed dancing (the matadors in the first act on desperate form; the Queen of the Dryads and her girls trudging through their dances; mimsiness of style an epidemic); and comedy that was about as amusing as a baby's coffin.

Matz, returning as a guest partner for Mlle Guillem, provided breezy virtuosity, and made Basilio unabashedly cheerful – there's little else to do with the role – with a neat line in groping during his supposed death-scene (albeit this Kitri knew how to keep him under control). The only other performance worth considering is that of the mysterious drunk, master of tremulous balance, who skirts the edges of the stage in Act 1. He is funny, which no-one else in the ensemble remotely is, but entirely unconnected with Petipa's Don Quixote. He is, unjustly, not identified in the programme.

Don Quixote is in repertory at the Royal Opera House, Covent Garden.

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS

Philharmonie Karita Mattila, Barbara Bonney and Bryn Terfel are among the soloists joining Claudio Abbado and the Berlin Philharmonic Orchestra for tonight's performance of Schumann's Scenes from Faust, the latest in the orchestra's Faust series. The orchestra's other concerts this week are on Fri, Sat and Sun morning, when Jiri Belohlavek conducts a Czech programme (piano soloist Gerhard Oppitz). Ivo Pogorelich gives a piano recital tonight, and Alois Koch conducts Hermann Suter's oratorio Le Laudi on Thurs (2548 8132)

Schauspielhaus Ghena Dimitrova sings the title role in tomorrow's concert performance of Puccini's Turandot, with MDR Symphony Orchestra and Chorus conducted by Daniel Nazareth. Jac van Steen conducts Berlin Symphony Orchestra on Thurs, Fri and Sat in works by Sibelius, Strauss and Mahler (2090 2156)

Waldbühne Rudolf Barshai conducts an open-air performance of Verdi's Requiem on Sat evening (254890)

OPERA/DANCE

Staatsoper unter den Linden Jonathan Miller's 1993 production of Capriccio is revived on Thurs with Anna Tomowa-Sintow as the Countess (repeated June 24 and 27). Repertory includes Tosca, Salome, Der Freischütz and a Béjart ballet evening (200 4762/2035 4494)

Komische Oper A new production of La Cenerentola opens on Fri, staged by Christine Mielitz and conducted by Caspar Richter, with Christiane Oertel as Angelina (repeated June 12, 14). Repertory also includes Harry Kupfer's productions of La nozze di Figaro, Gluck's Orpheus and The Bartered Bride (229 2555)

Deutsche Oper A contemporary dance programme featuring new works by three New York choreographers, Meg Stuart, Molissa Fenley and Karole Armitage, opens on Sat (repeated June 15, 18, 29). Nadine Secunde sings Leonore tomorrow in Fidelio and Helen Field is Madama Butterfly on Fri. Tonight's foyer programme is a 125th birthday portrait of Siegfried Wagner (341 0249)

Deutschlandhalle Agnes Baltsa and José Carreras head the cast in Steven Pimlott's arena production of Carmen from June 17 to 23 (3038 4444)

THEATRE

A new production of The Father, Strindberg's play about sexuality and power, opens on Thurs at Maxim Gorki Theater, directed by Martin Meltke (208 2783). The popular Gershwin musical Crazy for You has just opened at Schiller Theater, and runs daily except Mon till July 31 (2548 9241). Metropol Theater has Jule Styne's musical Funny Girl (2036 4117) and Theater des Westens has Cole Porter's Anything Goes (882 2888)

NEW YORK

THEATRE

- Broken Glass: set in New York in 1938, Arthur Miller's latest play is a short, discursive and compelling study of paralysis in the face of crisis (Booth, 222 West 45th St, 239 6200)
- Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
- All in the Timing: six sparkling short plays by David Ives add up to one enchanted evening (John Houseman, 450 West 42nd St, 239 6200)
- Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
- Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782)
- Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)
- The Sisters Rosensweig: Wendy Wasserstein's most successful play to date, a comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)
- An Inspector Calls: J.B. Priestley's 1947 mystery thriller in an award-winning production from Britain's National Theatre, directed by Stephen Daldry (Royale, 242 West 45th St, 239 6200)
- She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)
- Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)
- Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239 6200)
- Mort Sahl's America: a one-man show about the political and social power structure in American life (Theatre Four, 424 West 55th St, 239 6200)

CITY BALLET

NYCB's Spring season at New York State Theater runs daily except Mon till June 26, with choreographies by Balanchine, Robbins, Martins and Tanner. This week's performances include Peter Martins' Barber Violin Concerto, Balanchine's Vienna Waltzes and an all-Robbins evening (870 5570)

PARIS

DANCE

Palais Garnier Paris Opera Ballet presents the first of two programmes of 20th century classics daily till Sat (also June 18 and 21). It consists of Harald Lander's Etudes (1952), Jerome Robbins' In the Night (1970) and William Forsythe's In the Middle (1987). A second programme, comprising works by Antony Tudor, Paul Taylor and Kenneth MacMillan, opens on June 17. The Nureyev production of La Bayadère moves to the Bastille for two weeks of performances starting on June 29 (4742 5371)

Théâtre de la Ville Jan Lauwers and Needcompany are in residence this week with a new choreography of Stravinsky's Pulcinella. Next week: Lyon Opera Ballet (4274 2277)

OPERA

Opéra Bastille Tonight, Wed, Sat: Tosca, staged by Werner Schroeter and conducted by Spiros Argiris, with changing casts headed by Galina Kalinina, Giacomo Aragall and Jean-Philippe Lafont (runs till July 17). Tomorrow: Myung-Whun Chung conducts final performance of André Engel's production of Lady Macbeth of Mtsensk, with cast headed by Mary-Jane Johnson and Jacque Trussel (4473 1300)

Théâtre Champs-Elysées Tonight: Natalia Gutman plays Bach cello suites. Wed: Eldar Nebolsin piano recital. Thurs: chamber music recital by Mozart Academy of Prague (4952 5050)

Salle Pleyel Tomorrow: Radu Lupu is soloist in a Mozart programme with Academy of St Martin in the Fields. Wed, Thurs: Michael Stern conducts Orchestre de Paris in works by Barber, Beethoven and Bartok, with piano soloist Maria Joao Pires. June 14: Vladimir Ashkenazy. June 21: Maurizio Pollini (4561 0630)

JAZZ/CABARET

Singer and keyboard artist Davell Crawford, the latest discovery of the New Orleans jazz and blues scene, is in residence this week at Lionel Hampton Jazz Club. Music from 10.30 pm to 2 am. June 13-25: T.S. Monk (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

- The Prince of Homburg: Kleist's drama about state power and individual freedom, duty and feeling, is directed by Alexander Lang at Mogador Comédia Française. Final week (4878 0404)
- Huis Clos (In Camera): Michel Raskine directs one of Sartre's most celebrated plays, with its gradual revelation that the scene is hell, and its three characters who must stay there for eternity. Till July 3 at Théâtre de l'Athénée (4742 6727)
- Oleanna: David Mamet's celebrated two-hander about sexual harassment on the university campus. Charlotte Gainsbourg and Maurice Bénichou in this production at Gaîté-Montparnasse. Daily except Mon (4322 1618)
- The Homecoming: Harold Pinter's menacing drama directed by Bernard Murat. Daily except Mon at Atelier, place Charles-Dullin (4606 4924)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

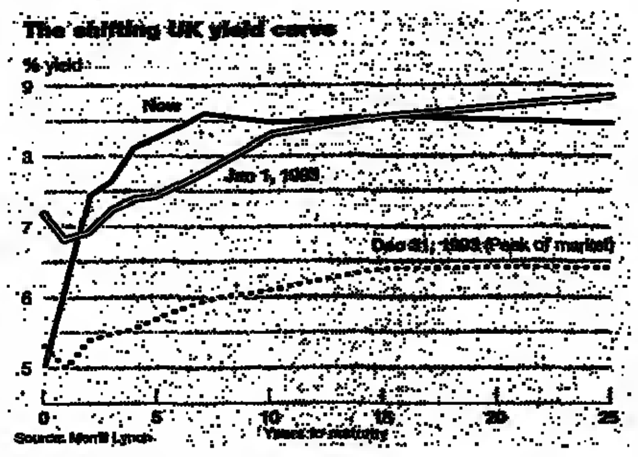
WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

The 'policy is dead' theory arrives



Not long ago, I heard a Labour economist peer outflanking the most extreme free market advocates by declaring that national economic policy was dead. His argument was that, in a world of completely free capital movements, governments and central banks were not able to make independent decisions on the virtues of alternative macroeconomic policies.

There are two waya of looking at such a world. One is to cry: "Woe, woe, woe. Governments are at the mercy of the financial markets and all possibility of rational policy is dead unless we have world government, and perhaps not even then." But there is an alternative, more optimistic, response. It is based on the view that attempts to promote output and employment by artificially low interest rates, budget deficits or other manipulations will not achieve their objectives but threaten inflation of the kind which was at its worst in the 1970s and which cannot be corrected without a painful recession. The financial markets, on this view, cut short the whole malignant process by making it impossible for national authorities to inflate in the first place.

This can be illustrated by events in the last year and a balf. As the chart shows, the whole UK yield curve fell in the course of 1993, not only because of cnts in official short-term interest rates but because of mnch-redneed expectations about inflation in the longer term. Since then, however, greater pessimism – or realism – has returned. There have been similar developments in other centres; and there is now a steep upwardyield curve, which is itself making for dearer money throughout the world.

On any interpretation, the market has behaved in such a way as to make more inflationary policies difficult to follow, whatever the urge to do so. The check works through several channels. Obviously, a fall of many billions in the value of bonds itself reduces the propensity to spend because wealth is reduced. This effect is reinforced if equity values fall together with bonds as they have.

But the correction does not rely on these wealth effects alone (the 1987 Wall Street crash, for example, did not prevent inflationary overheating in several countries in subsequent years). It also works by inhibiting monetary policy. A monetary authority that tried to cut short-term interest rates now would be arguing with the market in a big way. A British chancellor would find it hard to cut base rates in the face of the present yield curve.

Even if he succeeded for a while, it would not have any worthwhile stimulative effect. For it would be apparent to any borrower – or pointed out to him – that the likelihood was that short-term loans would be renewed at higher and higher rates over the coming months and years.

There are several questions about this apparently beneficent circle. One would like to know whether it would be as efficient in the face of deflationary fears of the kind which were rife only a year ago. Clearly, bond rates would fall; but would they fall enough, and would financial markets tolerate a large fiscal stimulus if interest rates could not fall sufficiently to stop a slump?

There are other questions, even in the more conventional context of containing inflation. Just as the markets are constraining central banks the latter are also affecting the markets. An important influence on market behaviour is the belief that the Bundesbank and the Fed will in the end tighten policy in the face of an inflationary threat; and markets are simply betting on when this will occur. At present, only the Fed and the Bundesbank seem able to lead markets in this way; and other central banks have discretion only about the pace at which they follow.

There are also more technical qnestions about how far any central bank can really determine even short-term interest rates. At present, the Bank of England's influence depends almost entirely on the overnight rates at which it lends to the money market. Reforms are being studied which might shift the focus of official policy to one-month interest rates. This would have the advantage of separating deliberate monetary action from day-to-day moves to help the banks and discount houses balance their books.

Such reforms would help to clarify policy. But they would not resolve the question of the central banks' ability to argue with markets if they thought that the latter were badly misguided. The present mood is not to force the question to the test.

Stefan Wagstyl explains why India's government is only slowly shaking up state-owned industries

Reluctant to give up its grip

In the control room of the Hindustan Fertiliser plant at Haldia near Calcutta three men watch dials for eight hours a day. When they are finished, another shift of men in grey uniforms takes over, and then another, keeping watch 24 hours a day – just as they might in any other modern chemicals plant.

Except that at Haldia the plant produces nothing. It has prodnced *nothing* since attempts to commission the state-owned complex failed in 1986 because of fundamental design flaws. Needles on control room dials never move.

Some 1,550 people report for work at Haldia. There is a canteen, a personnel department, and an accounts department. There are promotions, job changes, pay rises, audits and in-house trade unions. Engineers, electricians, plumbers and painters maintain the equipment with a care that is almost surreal. Signs are freshly-painted, the roads swept and the grass verges cut.

The absurdity of their position has driven some workers to mental illness. Many workers have been idle so long they have become unemployable.

The origins of Haldia'e failure lie mainly with Mrs Indira Gandhi's ill-conceived pursuit of economic self-sufficiency in the 1970s: the complex was built by inexperienced Indian engineers with an inadequate budget and with insufficient expert foreign supervision.

But the fact that Haldia, which loses about Rs150m (£3.2m) a year, has been allowed to survive until the mid-1990s is also a telling criticism of the present government's reluctance to deal with the legacy of the past. With prime minister Mr P V Narasimha Rao's economic liberalisation programme now in its third year, there is still little sign that he will drastically overhaul the country's bloated pnblicly-owned industries through rationalisation, privatisation or the rapid introduction of competition into state-run monopolies.

The main reason the government fears to act is that serious reform would mean deep job cuts. India's labour laws give workers an almost impregnable defence against compulsory dismissal. The insolvency laws are so restrictive that it takes an average of over 10 years to liquidate a company. A serious attempt to tackle the labour or insolvency laws would be seen as an attack on jobs – so Mr Narasimha Rao is understandably reluctant to act, particularly with the 1996 general election on the political horizon.

Moreover, full-scale privatisation would destroy the network of patronage which politicians have built throughout the public sector. While the government is selling shares in 31 state companies, it is committed to retaining 51 per cent and managerial control. Similarly, where private companies are being permitted to enter markets dominated by state monopolies, there is much foot-dragging and back-sliding. Mr Manmohan Singh, the reform-minded finance minister and his supporters in the government, know what needs to be done – but the prime minister will not let them act for fear of political turmoil.

To be fair, the prime minister's quiet approach has yielded some results. The government has introduced voluntary retirement schemes which are slowly reducing employment. Total employment in the 237 centrally-controlled industrial enterprises (excluding state-owned banks and services such as telecommunications) has dropped from 2.23m in the late 1980s to under 2m.

Government subsidies are also falling, though more slowly than planned. Mr Manmohan Singh intended to eliminate public financial support for loss-makers from April 1994. But when the 1994-95 budget was published it contained another cash injection: Rs6.3bn altogether.

Privatisation may be half-hearted but the entry of strong state-run companies into the stock market has encouraged investment, including foreign portfolio investment. It was not a private company but the government's Videsh Sanchar Nigam, India' international telecommunications monopoly, which attempted the country's largest Euroissue – US$1bn. The offer had to be postponed because of the turmoil in world stock markets earlier this year – but the group is considering a second bid later this year.

Perhaps the government's biggest success in public sector reform has been in shaking up domestic air travel by permitting the entry of private operators in late 1992. Their competition has forced great improvements in time-keeping and quality from Indian Airlines, the state-owned carrier.

Making connections: telecommunications is still state-dominated

But when it comes to other industries, the interests of consumers seem to be of little account. Indeed, for some government ministers, the fact that the launch of private air lines has been accompanied by some teething troubles, including strikes, poaching of staff and arguments over routes, is taken as a reason for treading carefully in other markets.

Private investment is being allowed in power generation but competition from private stations will have little effect on existing state-run plants. Moreover, private companies are mostly being kept out of electricity distribution, where political patronage is pervasive. Dispensing cheap power to privileged gronps such as farmers is a right few politicians will abandon lightly.

Mr Rao argues that by deregulating the economy, including liberalising foreign trade and investment, he has created more than enough opportunities for private companies without the need for upheavals in the public sector. But poorly-performing pnblic enterprises impose a heavy burden on the rest of the economy, not only by siphoning public funds but also by often providing high-cost, low-quality goods and services. As Mr Aditya Birla, head of a leading business grouping, says: "If the public sector is not competitive, then we can't be either."

People suffer as well as companies. Legal job protection extends only to workers in the public sector and in large privately-owned enterprises – about 30m people, or 150m with their families out of a total population of 890m. The economic cost of providing the safeguards falls on other Indians, many of them very poor and permanently jobless.

State-owned units still dominate transport, telecommunications, banking, oil, electric power and other basic services. They are also important producers of raw materials. Of the the central government's 237 active industrial enterprises, 104 lost a total of Rs39.5bn in the year to March 1993. The profits of most of the rest were inadequate – the total return on capital was just 2.4 per cent.

Hand-outs for loss-making public enterprises contribute to government borrowing helping to raise the fiscal deficit last year to 7.3 per cent of GDP. Further support comes from state-controlled financial institutions in low-cost loans. Also, even though the government has cut import duties and relaxed internal price controls, the remaining protection is biased towards protecting public enterprises.

Some state concerns perform well, despite the uncompetitive environment. Bharat Heavy Electrical, India's dominant maker of generating equipment, has won export orders, so has the Steel Authority of India, the steelmaker. Others could join them if they were free to compete, cut costs and run themselves independently. But Delhi's influence over senior appointments is stifling – Air India, the international carrier, is one of about 10 big enterprises currently without a chairman because politicians and bureaucrats cannot agree on a candidate.

Nevertheless, some enterprises are beyond redemption: obsolete textile mills, steelworks and bicycle factories as well as fertiliser plants, including Haldia. The latter is a unit of Hindustan Fertiliser Corporation, which is one of 49 centrally-run public enterprises referred to the government's Board for Financial and Industrial Reconstruction, the agency established to expedite restructuring or liquidation. But only one public, centrally-run enterprise has ever been recommended for liquidation.

The government hopes that it will avoid big closures until the newly-liberalised economy grows fast enough to absorb the unemployed – perhaps in the late 1990s. Even then, ministers will bite the bullet only under pressure. As Mr P B Krishnaswamy, secretary of the fertilisers ministry whose responsibilities include Haldia, says: "This kind of picnic should not be allowed to go on for ever. But things won't change in this country unless it's the hard way, through sheer economic compulsion. Until then, politicians will keep making statements and keep alive the hopes of the dead."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

VSO not an elite scheme

From Mr Ken Caldwell.

Sir, David Goodhart's article "Army of volunteers may be called up" (June 2) refers to VSO (Voluntary Service Overseas) as an "elite scheme . . . for middle class young people". If that description was ever accurate, it has certainly been out of date for some years now. VSO started out as a scheme for young people, but these days only accepts skilled people aged above 20 – and up to the age of 70; the average age of a volunteer is now 34, and nearly 10 per cent of the people now overseas are above 50. Nor, I think, could it ba described simply as "middle class", since those 1,750 volunteers include bricklayers, carpenters, technical instructors, water engineers, and many others who *do* not necessarily fall into that eocio-economic bracket. Equally importantly, volunteers are not expected to fund themselves; they receive an allowance equivalent to a *local level wage.*

VSO is in the business of supplying skills which have been requested by governments and community organisations in 57 countries, in the pursuit of a more equitable world. New volunteer schemes would offer complementary rather than supplementary, opportunities for people in Britain.

Ken Caldwell,
deputy director,
VSO,
317 Putney Bridge Road,
London SW15 2PN

Hualon textiles plant deal should be reviewed

From Mr James McAdam.

Sir, Recent coverage of the decision by the European Commission to approve the award of substantial public funding for the Hualon textiles plant in Northern Ireland has served to highlight inconsistencies in the policies of the European and UK authorities.

First, there is a difference of view as to whether there is over-capacity or not in this sector of trade. Clearly Tim Smith, the UK economy minister for Northern Ireland, feels that there is unsatisfied, and indeed growing, demand for the product, whereas the European textile industry believes the opposite, a position the Commission initially agreed.

Second, the Commission is quoted as saying that the project is of a low-technology nature, whereas the UK government is saying the opposite.

Third, the project envisages the creation of 1,850 jobs whereas others contend that this level of employment is *improbable.* In this regard it is interesting that Tim Smith, in his detailed contribution to the debate in the FT ("A respectable and respected public corporation", June 3), makes no reference to the number of jobs that will be created.

I should emphasise that the British Apparel & Textile Confederation is strongly supportive of inward investment in the textile industry in all parts of the UK. However, each case must be judged on its merits and surely, given the contradictions surrounding the Hualon investment, the whole case should now be reviewed by both the Commission and the Industrial Development Board before contracts are signed.

James McAdam,
chairman,
British Apparel & Textile Centre,
7 Swallow Place,
London W1R 7AA

Too early to talk of government victory

From Mr Tino Hernandez.

Sir, If I were a government minister, I wouldn't be celebrating yet ("Government near victory on contracting-out", May 31).

Your correspondent, David Goodhart, normally the most reliable of authorities, fails to report the whole of the story on this occasion.

While it is true that the European Commission is considaring amending the Acquired Rights Directive, the law which protects workers' terms and conditions when their jobs are market tested, the revision, if accepted, will not have the impact suggested.

I have a copy of the full text of the latest revision of the directive. This does state that the transfer of only "part of a business" does not in itself trigger the regulations, as reported. However, the next sentence qualifies this by highlighting that the key test is always whether or not "an economic entity, which retains its identity" has in fact been transferred.

This is exactly the same test that has been used over the past 18 months in each of the landmark European Court of Justice cases, which have demonstrated that workers are protected in virtually any market test or contracting-ont exercise.

Furthermore, while the UK government may wish to see the directive severely weakened, because of the way it has affected its own market testing programme, any revision at all of this particular piece of European Union legislation requires the backing of each member state. This ia very unlikely given the support for the principle of protecting employment rights which exists among the majority of our European partners.

Tino Hernandez,
head of research,
Civil and Public Services Association,
160 Falcon Road,
London SW11 2LN

World Bank support for Indian blindness control programme

From Richard L Skolnik.

Sir, I refer to your May 14 article on the World Bank credit to the Indian National Blindness Control Programme ("World Bank cash to help the blind") and to Professor R A Weale's letter (May 20). The World Bank agreed to finance this project at the request of the government of India. Similar requests from other countries would be welcomed and considered on their own merits. Cataract blindness constitutes a big public health problem in India. A disproportionate number of blind people are the rural poor, particularly women, who have little access to health care. The social and economic returns of dealing with cataracts in India are very high. In addition, as the population of India ages, it will be even more important for the country to have an effective and efficient cataract programme in place.

Projects assisted by the World Bank are prepared and implemented by the borrowing countries. This project was prepared over two years with the involvement of local experts, numerous Indian and international voluntary organisations, the Eye Care Institute of the United States National Institutes of Health, World Health Organisation, and the Danish Development Agency (DANIDA). WHO does not implement projects of this type.

Most of the training under the project will be in-service training. The aim will be to raise the quality and productivity of service providers, as well as to help train people in surgical techniques using intra-ocular lenses.

Alternative echemes were considered. The project's final design supports a variety of service delivery models, based on a number of criteria, including location of the people to be served, size of the problem, availability of facilities, and availability of trained personnel. Based on the application of these criteria at the district level, services will be rendered in both mobile camps and in fixed facilities.

Project implementation will be carefully monitored at the district, state, and national level. World Bank staff will also review progress against project objectives through field visits two to three times per year. In addition, the project will be subjected to big technical reviews by competent Indian and international experts every two years.

Richard L Skolnik,
Population and Human Resources Opns Division,
India Department,
The World Bank,
Washington DC 20433, US

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Monday June 6 1994

Brinkmanship over Korea

The crisis over North Korea's suspected covert nuclear weapons programme is entering a new and dangerous phase. This week the UN Security Council may move towards imposing economic sanctions on Pyongyang for impeding International Atomic Energy Agency inspections of its nuclear facilities. North Korea, which has always said it would regard sanctions as an act of war, may withdraw from the nuclear Non-Proliferation Treaty (NPT) in protest.

As international crises go, this must rank among the most frustrating. On the one hand, the issues it raises are of immense significance; on the other, the record does not suggest there is much the rest of the world, faced with a regime as erratic and mysterious as that in Pyongyang, can do peacefully to resolve it.

If North Korea is allowed to develop an atomic bomb, the reverberations will be felt for years. In Asia, Japan would be tempted to review its constitutional aversion to nuclear weapons, prompting an inevitable resurgence of old regional insecurities. In the world at large, the campaign to prevent the further spread of such weapons – now focused on the prospective renewal of the NPT in 1995 – would suffer a blow from which it might not recover.

Carrots and sticks

Thus for the past 18 months, Washington has been busily waving carrots and sticks to persuade Pyongyang to open up its nuclear programme to inspection. So far, the carrots – principally offers of international recognition – have been to the fore, on the theory that the North Korean regime, fearing for its survival, was using the possibility of an A-bomb to extract political concessions from the west. The events of the past week – with the IAEA saying it could no longer reliably ascertain whether nuclear materials from North Korea's Yongbyon reactor had been diverted to weapons production – have tipped the balance towards the stick of eventual trade sanctions.

The west probably has no alternative now but to call North Korea's bluff and proceed towards imposing some form of sanctions if it is to prevent further erosion of the NPT's credibility. But if so, it should hasten slowly, with the clearest of objectives and with the fullest awareness of the pitfalls.

First, the US needs to strain every sinew to retain the co-operation of the regional players. South Korea and Japan both support sanctions with varying measures of enthusiasm and likely effectiveness. But to render an embargo even partly effective, China – a nominal ally and North Korea's biggest source of imported fuel and grain – will also need to be persuaded not to veto a sanctions resolution.

Quiet persuasion

That argues for continuing to play the issue long, and for giving Beijing ample opportunity to demonstrate that its preferred strategy of quiet persuasion can work. In particular, any measures should be preceded by an ultimatum giving North Korea a deadline to open up to inspection the two suspected nuclear waste sites at Yongbyon that now constitute the sole verifiable clue to the nature of its nuclear programme.

Second, the western powers should not lose sight of the continuing need to offer Pyongyang diplomatic escape routes. In this respect, Russian President Boris Yeltsin's suggestion of a conference involving the two Koreas, the US, Russia, China and Japan would be worth considering. Such an initiative's chances of success would admittedly be slim. But only if all efforts to engage North Korea are shown to have been exhausted will it make sense actually to use the sanctions ratchet.

Third, the west should recognise that North Korea's isolation is already intense, and that an unduly precipitate move to isolate it further could provide a desperate regime with either an alibi for its own economic failings or a convenient distraction in conflict.

The US clearly needs to maintain its military umbrella over South Korea and to warn the North that if it initiates hostilities it will face immediate destruction. But war on the Korean peninsula, with or without nuclear weapons, is in no one's interests. The west should beware of inadvertently suggesting to the paranoid regime in Pyongyang that it has no way out but through waging one.

The Schneider imbroglio

The fate of Mr Didier Pineau-Valenciennc, chairman of Groupe Schneider, a leading French electrical engineering company, must be troubling many other top executives in Europe. Mr Pineau-Valencienne has spent the past 10 days in a Belgian jail, after travelling to Brussels to make an ostensibly routine statement concerning an official investigation into two of Schneider's local subsidiaries. By all accounts, he seems likely to face a long and difficult legal battle.

The incident has some of the nightmare qualities of The Bonfire of Vanities, the 1980s novel about the downfall of a wealthy New York investment banker trapped by an unforgiving legal system. It has outraged the French business establishment and unleashed a wave of defensive nationalism in Belgium. Beyond that, it points to hitherto unsuspected risks in doing business across borders. If this can happen to the head of one of France's biggest companies, is anybody safe?

There are obvious limits to generalising from a case in which formal charges have yet to be brought, and about which many details remain murky. It does seem clear, however, that events would not have reached this stage if Belgium's financial markets were more effectively policed. The case grew out of court actions by former minority shareholders in the two Schneider subsidiaries, alleging that the French group undervalued their stakes when it bought them out in 1992. Proper regulation would have made it more likely that such allegations could have been dealt with at the time.

Shareholders' rights

That Belgian minority shareholders have begun to assert their rights more aggressively is partly a reaction to the raw deal they have traditionally received. In an effort to redress the balance, they were recently allowed greater recourse to national courts. However, that decision has been criticised for calling into question the role of the Commission Bancaire and Financière, the already weak regulatory authority.

Though some regulatory reforms were introduced after the bitter battle in 1988 for control of Belgium's Société Générale holding company, they were timid. Authorities now recognise that more needs to be done, particularly to ensure proper disclosure and equal treatment of shareholders in takeovers. The Schneider case should encourage them swiftly to set their house in order.

The case also raises a second, broader, issue. The Schneider investigation is examining whether other financial and fiscal irregularities occurred at the two subsidiaries, which Mr Pineau-Valencienne chairs. However, no evidence has yet been produced that he personally ordered, or was aware of, any illegal activities. In its absence, is it right that he should be made to carry the can?

Personal liability

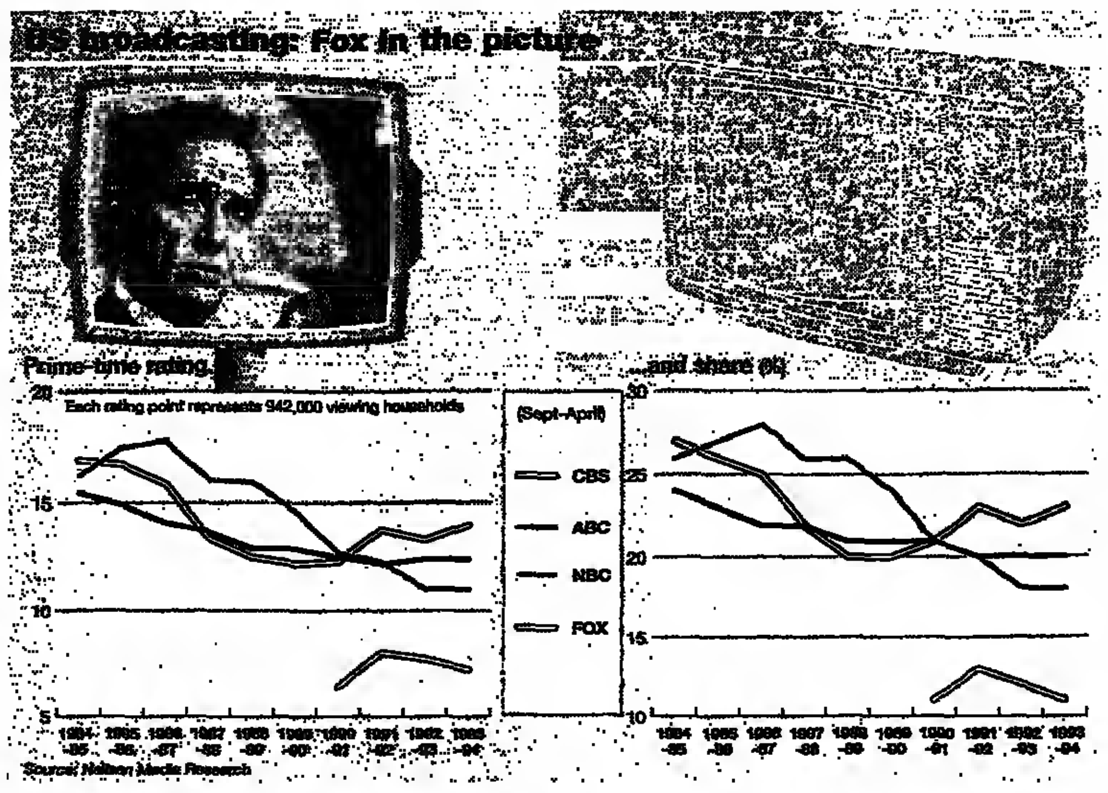
Some European legal systems already hold chief executives personally liable for certain types of corporate violations, notably of health and safety laws. Such sanctions undoubtedly concentrate minds. But they seem unduly onerous. No senior manager can be fully-informed about every aspect of his business. Still less so, when companies are increasingly diversifying globally and decentralising authority from head office to often far-flung subsidiaries.

A more difficult question arises where a company's culture, or the style of the chief executive, encourage those at lower levels to cut corners or even to break the law. In such cases, statutory penalties on individual top managers might act as a deterrent. But they could just as easily lead to more energetic efforts to conceal wrongdoing in erring companies, while unnecessarily inhibiting managers in law-abiding ones.

In the longer run, the most effective checks are those which companies impose on themselves: rigorous internal audit systems, codes of conduct and scrupulous monitoring by supervisory boards or independent non-executive directors. These are more likely to be encouraged by regulatory systems which require fairness and transparency in corporate dealings than by statutory sledgehammers. Whatever the outcome of the Schneider case, it should give companies and governments across Europe a powerful incentive to examine how well they match up against these objectives.

Fox among the television giants

Martin Dickson and **Raymond Snoddy** say Murdoch is taking on the big US broadcasters – and making gains



Source: Nielsen Media Research

Coming this autumn from Fox Broadcasting, America's upstart fourth television network: a new comedy series *Hardball*, which promises to take a "rowdy, locker room look" at a baseball team, led by a "no-nonsense" manager, which will try anything and everything to make it into the big league.

Mr Rupert Murdoch, Fox's own no-nonsense boss, is playing a real-life game of hardball as he tries to push the company into the US broadcasting big league, alongside the established network trio of CBS, ABC and NBC.

Last December he shook the television establishment when he won an auction to broadcast for the next four years American football games featuring one of the two leagues, the National Football Conference. Fox bid $1.6bn, more than $400m higher than CBS, which has shown NFC games for almost 40 years.

Two weeks ago Mr Murdoch followed that up with another shocker: 12 television stations owned by media group New World Communications are to shift affiliation from the big three to Fox, broadcasting its national programming along with their own local content.

Once again, the main victim is CBS – the number one network in the US audience ratings for the past three years – which is losing eight affiliates to Fox.

A change of loyalties by 12 stations may not sound particularly dramatic, given that the big three networks have nearly 650 affiliates between them. But a switch of this magnitude is extremely unusual – Mr Murdoch claims it is unprecedented – and it could have a far-reaching impact on the US broadcasting industry.

It is likely to set off a struggle for affiliate loyalty between CBS, NBC and ABC. It could also prompt CBS to review its strategy of remaining a one-medium broadcaster at a time when NBC and ABC have diversified into cable. Some observers suggest Mr Laurence Tisch, CBS chairman, might even consider merging the group with another entertainment company.

But the most immediate effect of the New World deal is to give a big boost to Fox's credibility. It marks a milestone in Mr Murdoch's efforts to build it into the leading network in the US. "Partly as a result of this and partly what was going on already you will see another six or eight VHF stations joining our line-up between now and Christmas," Mr Murdoch says.

Fox has come a remarkably long way since 1987, when Mr Murdoch launched the network with two nights a week of programming and just over 100 affiliates, many of them small, independent stations broadcasting on UHF frequencies, which are less powerful than the VHF signals used by the stations which dominate most big US cities.

The latest deal was typical Murdoch opportunism. New World approached Murdoch about making programmes together for daytime schedules and launching them across half the US. "Then the conversation led into this rather bigger deal and it was all done in three weeks," Mr Murdoch says.

Fox, however, is still far from achieving Mr Murdoch's ambitions. In the broadcasting season that ended in April, the market research agency Nielsen gave it a rating of 7.2 in the prime evening television hours, far behind NBC with 11, ABC with 12.4 and CBS with 14. (Each rating point represents 942,000 viewing households.)

Fox only began broadcasting seven nights a week last year. It has no national news service and it only broadcasts 15 hours of prime time programming a week – made either in-house or under contract – compared to the big three's 22 hours.

Last year Wall Street began questioning whether Fox might be running out of steam. Its prime time ratings dipped for the second year running and two of the network's most important creators – Mr Barry Diller and Mr Jamie Kellner – had quit the group.

Mr Murdoch's recent coups have dispelled much of the scepticism. Capturing the NFC contract gives Fox its first big scheduled sports programming. He will almost certainly lose money on transmission of the games – as CBS did when it aired them – but since winning the NFC contract Fox's number of affiliates has risen from 138 to 184, though 34 of the new stations are partial affiliates, interested mainly in feeds of the NFC games. By comparison, ABC has 227 affiliates, NBC 213 and CBS 206. The deal with New World will not add to the network's number of affiliates, since the stations are in cities where Fox already has an outlet, which it will now discard. The importance of the deal is that it will substantially increase Fox's reach in the 12 markets – which include important cities such as Detroit, Dallas and Atlanta – because the New World stations are high powered VHF ones, while those Fox is discarding are UHF ones.

Fox reckons its prime time ratings will improve by 40 per cent in the cities involved, though observers suggest a 20 per cent improvement. CBS will probably try to steal the VHF affiliates of NBC and ABC in cities where it has lost stations, rather than settling for Fox's UHF cast-offs. That in turn could unsettle the financial relationship between the networks and affiliates which has long underpinned the US television industry.

The networks make much of their money from selling advertising space during the national programming they supply to their affiliates. The affiliates make their profits from selling local advertising, but they also get paid "compensation" by the networks for carrying national programming.

To win new affiliates the networks may now need to increase compensation, buy additional stations outright or emulate Fox and take minority financial stakes in some. Mr Howard Stringer, who heads the CBS network, is promising to "open the network's wallet" to replace defectors. The Big Three may also have to make the timing of programmes more flexible to accommodate affiliates' demands for local advertising slots.

Yet in spite of such constraints on its rivals, Fox still faces big challenges. The Federal Communications Commission, the regulator, is looking into a complaint that Fox's ownership of six television stations – the basis of its network – violates federal laws prohibiting foreigners from owning more than 25 per cent of a broadcast outlet.

Mr Murdoch, who changed from Australian to US citizenship in the 1980s to build his television empire, holds 76 per cent of the voting power in the company that owns Fox's stations, but News Corporation, his publicly quoted Australian company, holds more than 90 per cent of the equity. News Corp said on Friday the ownership structure has not changed since permission was first given in 1985. The minority stake Fox is taking in New World seems certain to produce fresh complaints from rivals that Mr Murdoch is exploiting loopholes in the law.

With the ratings slip of the past two years, Fox also has to prove that it can keep producing fresh programmes, introduce some national news content to its service and extend its appeal among older Americans. The New World deal may be the first step towards "relaunching our late night programming, maybe national news, certainly daytime programming," Mr Murdoch says.

All four networks also face competition for viewers and affiliates from two networks being put together by Warner Brothers and Paramount Pictures, the Hollywood film and television studios.

Whatever the outcome of this struggle, the money flowing into broadcasting shows that some very canny entertainment industry investors disagree with the widespread idea that cable television is gradually killing off the networks. Mr Murdoch says: "All four [networks] will survive and do very well. We'll be the most economic way for mass marketers to reach the American public and that will remain so for a very long time." He is putting a great deal of money where his mouth is.

A layman's guide to US Fed policy


MICHAEL PROWSE on AMERICA

It is hard to find rational explanations for the height of bond yields in Europe where unemployment averages about 11 per cent. But the direction of movement is determined by events in the US, where tha risk of inflation is greater because the business cycle is further advanced.

The key to understanding bond markets thus lies in grasping the modus operandi of the US Federal Reserve, which triggered the global rise in yields by starting to tighten monetary policy in early February, sooner than many investors expected. The Fed has not fully explained the principles that govern its decisions, but it appears to have two main criteria for action:

● Rule one. The Fed will raise short-term rates if economic growth appears likely to exceed an annual rate of 2½-3 per cent, the rate it deems sustainable in the longer-term.

This rule was made clear in the minutes, released last month, of the March meeting of the Fed's policy-making open market committee. The Fed said it was aiming for a "neutral" monetary policy. It defined this *not* in terms of a target real interest rate but rather as a monetary stance that would achieve "sustained non-inflationary expansion consistent with the economy's potential". What is this? Well, the labour force is growing at an annual rate of about 1.3 per cent and Mr Alan Greenspan, the Fed chairman, believes productivity is growing at about 1.5 per cent. Potential non-inflationary growth is thus 2½-3 per cent. The Fed will raise rates to whatever leval is required to prevent growth exceeding this rate.

● Rule two. The Fed will raise short-term rates if inflation shows any sign of rising above the current level of just under 3 per cent.

Mr Greenspan spelled this out in his May 27 testimony to the Senate banking committee. "If we are successful in our current endeavours, there will not be an increase in overall inflation, and trends toward price stability will be extended." In the written statement, the word "not" is underlined. Observers should ponder this commitment carefully because most seem to assume that US inflation will be permitted to drift higher, say to 3½-4 per cent. Mr Greenspan is saying, in effect, that this will happen only over his dead body.

What do these rules tell us about past and prospective Fed policy? The lifting of short-term rates from 3 per cent to 4¼ per cent was an application of rule one. The Fed was not responding to actual evidence of higher inflation but was rather trying to reduce growth, from an unsustainable annual rate of 4-5 per cent in the second half of last year. It also wanted to prick a speculative bubbla in financial asset prices caused by its own failure to heed good advice – for example the plea to raise rates last September from monetarist economists led by Professor Allan Meltzer of Carnegie-Mellon University.

The perception that policies inspired by rule one are having the desired effect explains the revival of confidence in the US bond market – most evident in Friday's rally despite news of a fall in the jobless rate to 6 per cent ("full employment" in many economists' eyes). The market took that number in its stride partly because labor department officials hinted it was probably an aberration and partly because other recent data appear to point to a modest deceleration in economic growth.

Housing starts and home sales are down from the peaks hit late last year. Growth of consumer spending seems to be declining after sevaral strong quarters, partly because mortgage refinancing is no longer providing mnch impetus. Factory orders and the Purchasing Managers Index – guides to the health of manufacturing industry – appear to be stabilising, albeit at robust levels. And the payroll side of Friday's ambiguous employment report pointed to a somewbat slower pace of job creation.

It would be dangerous, however, to conclude that the Fed has done enough to reduce US growth to a sustainable 2½-3 per cent. Lulls occur in all business cycles. There is no evidence that interest rates are yet high enough to deter business investment, one of the engines of this recovery. Growth will probably accelerate again later this year as consumers get a second wind and as economic recovery in the rest of the world stimulates US exports. When Mr Greenspan said be had substantially withdrawn the monetary accommodation prevailing last year, he did not mean to imply rates had reached an equilibrium level. As he hinted on May 27, the right inference was that "the degree and frequency of tightening" might be less in the future.

Even if growth does decline to a sustainable rate, rule two may come into play. The leading index of inflation compiled by researchers at Columbia University – one of the best available – surged in May, having risen continuously for eight months. Key components – such as industrial material prices – point unequivocally to an upturn in inflation this autumn. If the price data do indeed deteriorate, the Fed will tighten again regardless of growth trends.

None of this necessarily spells doom for bond markets. Long yields of about 7.5 per cent in the US, and higher in most European markets, should provide a cushion against future sbocks. Indeed, the most disturbing event for investors would not be a further increase in US short term rates, but a perception that the Fad was again behind events because it was failing to heed its own monetary logic.

OBSERVER

The silver spoon mob

■ Whilst the world's media is focusing on the D-Day ceremonies another group of veterans slipped into London over the weekend. The big cheeses of the banking world are in town for a week of conferring and merry-making and keeping them happy is almost as big a challenge, in terms of logistics and protocol, as organising the Normandy beach parties.

Forget Royal Ascot, Wimbledon and Henley. The highlight of the summer season for a banker is the International Monetary Conference where the bosses of the top banks hob-nob with central bankers behind closed doors whilst their spouses hit the tourist sights.

Hosting an IMC meeting is the banking equivalent of winning the Olympics. Last year Stockholm did it, and it was Seattle's turn this year. But London jumped the queue because the IMC wanted to honour the tercentenary of the Bank of England with its presence.

London's bankers have responded magnificently. The Bank of England has laid on a concert (including a specially commissioned Geoffrey Burgon number) and NatWest chairman Lord Alexander has got the Queen and her husband to throw a cocktail party at Buckingham Palace. Bankers are even being allowed to turn up in lounge suits.

However, the British hosts are not allowing standards to slip too far. Not only are they insisting on a proper seating plan for the dinner at Whitehall's Banqueting House but they're also presenting each delegate with a special gift from Garrard & Co, the Crown jewellers – a silver spoon. How very appropriate.

Guilty as charged

■ The British bookstore chain Dillons is promoting the latest work by the author of bestsellers *The Firm* and *The Client* under the banner "Grisham's Law". A clever evocation of Gresham's Law, but if "bad money drives out good", what does that say about novels?

Ex-diplomats

■ Former US secretary of state Henry Kissinger has never taken kindly to criticism. Now that it is coming via a dead man he is becoming quite apoplectic.

The object of his ire, expressed in letters to the New York Times and Wall Street Journal last Friday, is H R Haldeman, whose posthumously published diaries of President Nixon's first term are as riveting a read as those of Alan Clark, despite the lack of sex.

It is not so much Haldeman's revelations about linking US withdrawal from Vietnam to the US electoral timetable which upset the elder statesman. It is the presumption that Nixon dared to discuss vital policy with Haldeman, his chief of staff, rather than Kissinger, the national security adviser.

"Nixon was just blowing off steam rather than changing strategy for Haldeman was concerned with public relations, not substance, and any change in strategy would have been discussed with me," says Kissinger.

The problem is that there is a lot more in the Haldeman diaries about "K" than Vietnam strategy, such as his bitter rivalry with Bill Rogers, then secretary of state, who is still alive. The letters columns threaten to be compelling reading in the weeks ahead.

Two legs good

■ Oh no, India has discovered re-branding. Indian officials think their country has made so much economic progress as a result of the last three years' reforms, that they are changing the name of their annual meeting in Paris with their principal aid donors.

Instead of the Aid India Consortium the two-day meeting starting on June 30 will henceforth be known as the India Development Forum. Will they also be asking for less money? Don't bet on it.

Pick a job

■ The UK government is planning to privatise – "contract out" is the *official euphemism* – the Careers Service, from April 1995. You may like that or not, but what does seem more than a trifle absurd is the choice of some of the department of employment's 43 "franchise areas" for which bids are invited.

Number three on the list is the county of Cleveland, and number ten is the County of Humberside. But those thinking of bidding for the contracts to provide Careers Services to those places should think again; the government has plans to abolish them, starting with Cleveland on April 1 1995.

Gaza stripped

■ A group of young Arabs is engaged in heated discussion in a West Bank café. As the chat takes a political turn, an older man taps one of the group on the shoulder, beckoning him aside.

"You are an Israeli soldier in disguise," says the village elder. "Unless you admit it and make yourself scarce I shall expose you to the rest of the gathering."

The younger man is visibly distressed. "All right, I admit it," he replies. "But please, how did you recognise me? I've always been assured my Arabic accent is perfect."

"Quite right," says the elder. "It is perfect. But you are the only man in that group who has said nothing critical about Yassir Arafat."

FINANCIAL TIMES
Monday June 6 1994

Germany, UK oppose borrowing for infrastructure projects

Delors faces fight on EU bonds

By Lionel Barber in Brussels

Mr Jacques Delors, president of the European Commission, faces a test of strength with the UK and Germany today over his plan to launch "Union bonds" to finance trans-European networks, the multi-billion dollar rail, road, and telecoms infrastructure projects.

Amid strong scepticism in both Bonn and London, EU finance ministers will consider revised proposals for the European Commission to borrow on the capital markets to help fund the networks, which Mr Delors argues are vital for improving competitiveness and creating jobs.

Ministers meeting in Luxembourg will also discuss how to improve labour market flexibility and tackle unemployment, now nearing 18m.

A row would damage prospects for the European summit in Corfu on June 24, which is already threatened with a showdown over who succeeds Mr Delors asCommission president .

Some diplomats in Brussels are predicting a stormy session today between Mr Delors and the finance ministers.

However, Mr Delors – who last month clashed with Britain and Germany on a Bonn plan to improve competitiveness – is under pressure not to provoke a second confrontation with the finance ministers.

Aides to Mr Delors suggested that he might decide to shelve his financing plan for the trans-European networks until the Essen summit in December.

But he remains convinced that the private sector and the European Investment Bank alone cannot finance the multi-billion dollar projects – hence the Commission's plan last week for financing a Ecu5bn ($5.80bn) alleged funding gap for 10 infrastructure projects.

"The Commission's paper has reawakened some spectres we thought had been already killed off," a UK official said.

Another diplomat added: "We remain extremely sceptical, as do the Germans among others, about the need for this."

Ministers today will also discuss whether the EU should single out individual countries who are not sticking to its macro-economic guidelines, the framework for helping the EU achieve a single currency.

The Commission believes "naming names" increases pressure for progress on tackling inflation and budget deficits.

Pomp and pathos mark a second D-Day invasion

By David Buchan in Caen

A dazzling commemoration of the allied invasion of France, full of carefully organised pomp and small moments of pathos, got under way yesterday as the royal yacht Britannia carrying the Queen led a flotilla of ships across the Channel from Portsmouth.

In Normandy, 40 US veterans defied conventional wisdom on the limitations of old age and repeated their parachute jumps of 50 years ago. In a salute to fallen comrades, they jumped from a vintage DC-3 Dakota aircraft near the town of Sainte Mère Eglise, and landed safely, though one was hurt after his parachute twisted. Another 550 serving US paratroopers followed.

To the east 1,000 British, Polish, Canadian and French paras dropped near the Pegasus bridge, the first piece of France to be freed on D-Day.

The ceremonies, which come to a climax today on the beaches where the allies landed, began yesterday morning with a religious service on Southsea Common outside Portsmouth. Leaders of the allied nations, bound for France on Britannia and a variety of warships, were given a tumultuous send-off by a flypast of Second World War aircraft.

The Archbishop of Canterbury, George Carey, who officiated at the service along with Roman Catholic and Jewish leaders, recalled some of the sensations experienced by the biggest invasion force ever assembled. He spoke of "the smell of self-heating soup that did little for sick-seasickness; the fear in the pit of the stomach as the beaches loomed ahead; the devastated orchards of Normandy and the stench of dead cattle; and the individual acts of bravery and brilliance".

But "those we remember today", said the Archbishop, "gave their lives not only for the liberation of occupied Europe, but also for the German nation – to free itself of the dark tyranny that was destroying its soul".

At a rain-swept ceremony on Saturday, the head of the German war graves committee, Mr Hans-Otto Weber held a service at the La Cambe cemetery where 21,250 Germans are buried. German and French bishops yesterday held a joint service in Caen.

French President François Mitterrand said France was "happy and proud to welcome the veterans of the western allied troops who, 50 years ago, came to mingle their blood with that of her sons".

The flotilla of small boats following in Britannia's wake mirrored in miniature the vast invasion fleet mustered on D-Day.

US President Bill Clinton, one of the youngest of the government leaders aboard the ship, said: "I never dreamt I would be here, doing this sort of thing."

Mr John Major, the British prime minister, said: "I cannot remember anything as big or as spectacular as this. I'm very proud".

In mid-Channel, the allied leaders on the Britannia took the salute of some 40 allied ships. Wreaths were laid at sea and a vintage Lancaster bomber dropped 850,000 poppies, symbols of the war dead.

One unusual ceremony was a joint memorial mass in the small town of Périers between veterans of the 90th US infantry division and the 6th German parachute division.

This German unit gave the battered 90th a truce in which to collect their wounded, prompting some Americans to find the Germans after the war. They have already held several joint memorials together.

The way we wère, Page 2

Hungary's socialists back former communist as premier

By Nicholas Denton in Budapest

Mr Gyula Horn, a long-time communist party functionary and now leader of Hungary's Socialist party, is poised to become the country's next prime minister.

The reformed communists, newly assertive after gaining an absolute majority in last month's parliamentary elections, named Mr Horn at a special congress at the weekend.

The party gave overwhelming backing to the 61-year-old Mr Horn, a former foreign minister, and brushed off a challenge from Mr Laszlo Bekesi, the party's economics spokesman. At the same time the socialists also offered to begin coalition talks this week with the Alliance of Free Democrats, the liberal party which came second in the vote.

The socialists had held off from naming a candididate for the premiership because the liberals regard Mr Horn as a "divisive figure". The socialist leader was a volunteer in the "padded jacket" workers' militia that helped put down Hungary's 1956 uprising against Soviet and communist rule. But the unexpected scale of the former communists' election triumph – the party won 209 of the 386 parliamentary seats – has changed the political balance of power.

Free Democrat leaders had vowed never to serve in a government dominated by the socialists and led by Mr Horn, and even last week were holding out for a compromise.

Ths liberals nevertheless agreed yesterday to begin talks on joining the next government after coming under strong pressure from intellectuals and the business community to bolster socialist technocrats and dilute the influence of the traditionalist and trade union groups among the former communists.

THE LEX COLUMN

Cash in hand

The government may be inclined to blame the demands of institutional investors for high dividends, but rising pay-outs are now being fuelled by companies' improving balance sheets and cash flow. The aggregate gearing of the equity market is probably now below 30 per cent, having fallen from more than 40 per cent at the trough. Against that background it is hardly surprising that dividend growth has outstripped the most optimistic City forecasts this year, even though earnings are growing in line with expectations.

But aggregate figures disguise the number of companies which have – or will soon have – net cash. Many are in sectors such as retailing or pharmaceuticals which invested heavily in the 1980s. Utilities privatised on favourable terms, such as the regional electricity companies and power generators, and established hoarders such as Associated British Foods are also on the list. But companies as diverse as De La Rue, BET, Tomkins and Whitbread must also be included. On the fringes are industrial giants such as Imperial Chemical Industries and RTZ which now boast very low levels of gearing by historic standards.

While that points to big dividends to come from some companies, including one-off payments, the overall position could change quickly. Despite the government's concerns, investment intentions are not especially weak for this point in the economic cycle. If physical investment starts to rise and acquisitions return to the corporate scene, dividend growth across the market would soon revert to a more normal rate.

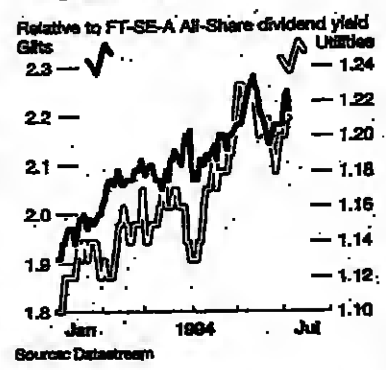
Shell/Montedison

The European Commission's approval for their joint venture in plastics is probably more important to Montedison than to Royal Dutch/Shell. While the latter would dearly love to cement its position in polypropylene – one of the fastest-growing plastics – Montedison is counting on the opportunity to inject $2bn debt into the new company. That would help relieve pressure following the financial restructuring of its parent, Ferruzzi, last year. After three years of detailed planning, though, failure to gain approval this week would be a blow to both prospective partners.

It is hard to see the joint venture as inherently anti-competitive. While it would account for about 24 per cent of European polypropylene capacity, prices are set in the world market. Imports of either raw plastic or simple finished goods would be sucked in if European prices were pulled out of line. Neither is Shell/Montedison's dominance in technology as threatening as it might first appear. About 70 per cent of world polypropylene capacity is based on technology licensed from Shell or Montedison, but alternatives are available. BASF, which bought ICI's polypropylene interests earlier this year, uses technology licensed from the UK company.

Besides, the joint venture would encourage restructuring in an overcrowded market by reducing the number of producers and allowing overheads to be cut. On that view it is in the wider interests of the European chemicals industry that an acceptable deal can be struck.

UK yield ratios



Source: Datastream

European equities

Continental European equity issues are about to reach flood proportions. As bankers and brokers seek to cram in deals before their summer holidays, five issues of $1bn or more and several of a lesser size are due to hit the market. Given the recent poor performance of equities and the waning appetite among international investors for new issues, some offerings could be in for a difficult run. A warning sign came in last week's $1.1bn Endesa sale by Spain. Not only was the issue price at the low end of expectations. The shares initially traded below the issue price.

The next big issue is the $3.5bn sale of shares in KPN by the Dutch government. Pricing is expected to be announced this morning. After that comes the $1.3bn Pharmacia offering by Sweden and the $3bn INA sale by Italy. Also in the pipeline from Italy are Mediobanca's $1bn share issue, Cariplo's $1.2bn issue and Mondadori's $500m offering. It seems unlikely that any of these issues will be pulled. Once such large offerings get under way, they acquire a momentum of their own. Moreover, when governments are privatising companies, the loss of political face from cancelling a flotation would be huge.

Still, US and UK institutions – which in the past have been the mainstays of international equity offerings – are no longer so keen. US investors are not as flush with cash as they were at the end of last year, while UK shareholders have recently had to cope with an excess of domestic flotations. Investors may not boycott the European issues but they will expect generous prices.

Utilities

Investors traditionally view British utilities as bond surrogates. As gilt yields have shot up this year, so have utility yields. The rise in utility yields of 1.02 percentage points is sharper than the 0.54 points rise in the yield on the all-share index. Another way of looking at the same phenomenon is provided in the accompanying chart. It shows a marked correspondence in movements in utility yields relative to the market and shifts in the gilt/equity yield ratio.

This habit of treating utilities as bond surrogates is odd. True, utilities' income streams are relatively predictable. But there the correspondence with bonds ends. Gilt yields have risen this year because of higher real interest rates and increased inflationary expectations. The utilities, by contrast, are effective hedges against increases in both real interest rates and inflation.

The real interest rate hedge stems from the way that utility regulators decide permitted profitability levels. Their starting point is to determine a utility's cost of capital, which is calculated by taking real interest rates and adding a company-specific risk premium. So if real interest rates rise, the company's permitted profitability goes up too – albeit with a lag, as price caps are reviewed only every four or five years.

The inflation hedge also stems from the regulatory system. Price caps are explicitly related to the retail price index. Higher inflation means higher revenues and higher profits. One cannot say the same for an ordinary bond.

China plans ways to bridge sea channel

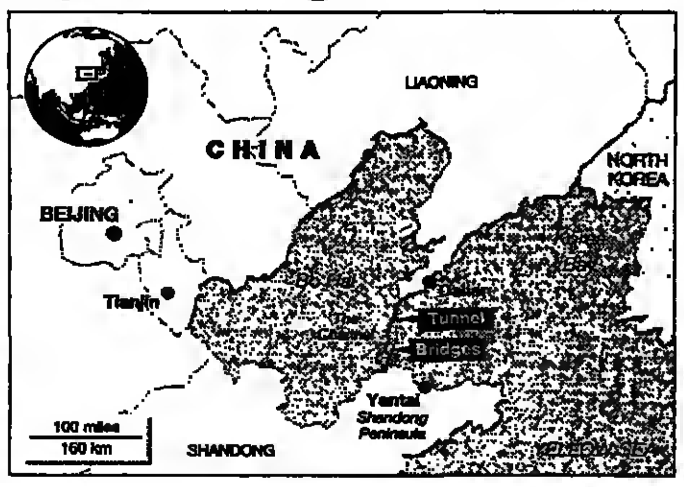
Continued from Page 1

ing, and the municipalities of Beijing and Tianjin.

This followed a government decision in 1992 to declare the Bohai rim an independent economic zone under China's strategic economic development plan.

An important aim is to match explosive economic growth in southern China. Development in the north-east, home to much of China's heavy industry, has been lagging behind programmes around the Pearl River and Yangtze River deltas in the south.

Some of China's largest cities are located around Bohai Bay, including 11 cities with populations of more than 1m.



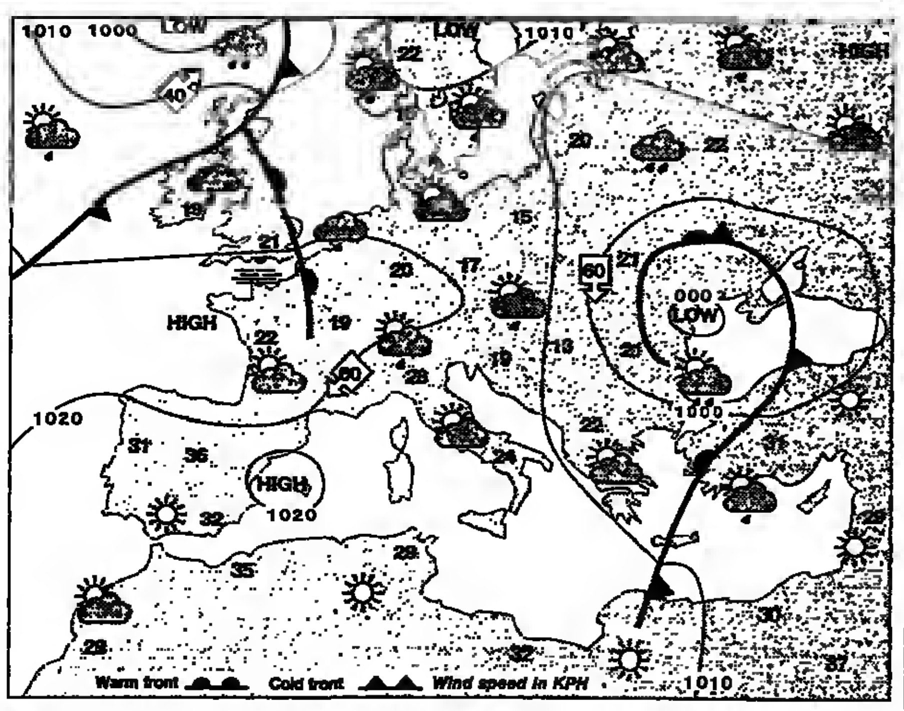
FT WEATHER GUIDE

Europe today

Rather warm, moist air will be drawn into the UK and the Benelux between a depression near Scotland and a ridge of high pressure extending from the Azores towards France. There will be rain, especially over Ireland and Scotland. Normandy, the south coast of England, coastal areas of Belgium and the Netherlands will have fog patches. Meanwhile, central and southern France will have sunny spells. A strong mistral wind will blow across south-eastern France. Scandinavia, Denmark and Germany will have clear spells and isolated showers. An active frontal zone will cause periods of rain over eastern Europe. Italy and Spain will be dry and sunny.

Five-day forecast

Spain, France and Germany will become warmer on Tuesday and Wednesday. Meanwhile, much cooler air approaching from the west will cause thunder storms over the continent during the middle of the week. Towards the end of the week, the UK, the Low countries and France will be rather cool and dry. Eastern Europe will continue to become warmer.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	thund	30
Algiers	fair	29
Amsterdam	shower	19
Athens	sun	28
Atlanta	thund	28
B. Aires	fair	18
B.ham	shower	21
Bangkok	shower	34
Barcelona	sun	26
Beijing	fair	31
Belfast	shower	18
Belgrade	shower	13
Berlin	fair	19
Bermuda	rain	26
Bogota	shower	19
Bombay	cloudy	33
Brussels	cloudy	18
Budapest	shower	17
C.hagen	fair	17
Cairo	sun	37
Cape Town	cloudy	15
Caracas	cloudy	28
Cardiff	shower	19
Casablanca	fair	29
Chicago	shower	30
Cologne	fair	20
Dakar	fair	27
Dallas	fair	34
Delhi	hazy	44
Djakarta	shower	32
Dubai	sun	40
Dublin	shower	20
Dubrovnik	fair	24
Edinburgh	shower	20
Faro	sun	32
Frankfurt	cloudy	21
Geneva	cloudy	19
Gibraltar	sun	25
Glasgow	shower	18
Hamburg	fair	18
Helsinki	fair	19
Hong Kong	cloudy	28
Honolulu	cloudy	31
Istanbul	sun	25
Jersey	fog	17
Karachi	fair	36
Kuwait	sun	43
L. Angeles	cloudy	21
Las Palmas	fair	26
Lima	fair	20
Lisbon	fair	36
London	shower	23
Lux.bourg	fair	17
Lyon	fair	21
Madeira	cloudy	24
Madrid	sun	36
Majorca	sun	28
Malta	sun	27
Manchester	shower	10
Manila	shower	33
Melbourne	cloudy	15
Mexico City	cloudy	22
Miami	sun	31
Milan	sun	28
Montreal	thund	27
Moscow	shower	24
Munich	cloudy	17
Nairobi	fair	25
Naples	sun	25
Nassau	sun	31
New York	fair	27
Nice	sun	23
Nicosia	sun	31
Oslo	fair	22
Paris	fair	21
Perth	shower	18
Prague	fair	17
Rangoon	rain	30
Reykjavik	shower	12
Rio	cloudy	24
Rome	sun	25
S. Frsco	cloudy	20
Seoul	fair	28
Singapore	cloudy	32
Stockholm	fair	20
Strasbourg	fair	20
Sydney	shower	21
Tangier	fair	33
Tel Aviv	sun	34
Tokyo	cloudy	27
Toronto	thund	27
Vancouver	rain	15
Venice	sun	24
Vienna	fair	19
Warsaw	fair	15
Washington	shower	28

FINANCIAL TIMES
COMPANIES & MARKETS

Monday June 6 1994

MARKETS THIS WEEK

RICHARD WATERS:
GLOBAL INVESTOR
A 20-25 per cent return for investing in a stable utility like a power station, or a toll road? A way into the emerging markets of Asia *without pumping more cash into* what have proved highly volatile stock markets? These are tha sort of carrots being dangled increasingly frequently in front of pension funds and other long-term investors in the US and other developed nations. **Page 26.**

MARTIN WOLF:
ECONOMIC EYE
Chaos theory appears to provide strong support for the "Austrian" vision of the market process as against the equilibrium view of neo-classical theorists. The theory means the future is unknowable. Economics can only explain. It will never give accurate predictions. **Page 26**

BONDS:
According to one depressed banker, "investors in the Canadian market have lost on the currency, lost on the spread and been killed in the bond market." Why has this happened when so many of the economic fundamentals look good? **Page 28.**

EQUITIES:
There are signs that some market participants are willing to take a more optimistic view on the prospects for UK share prices.
New York – Last Friday's *employment report*, rather than establishing a fresh direction for equities, seems to have exacerbated the confusion on Wall St. **Page 29.**

EMERGING MARKETS:
If investors in Colombia's stock market had their way, Andres Pastrana would be the country's *next* president. **Page 27.**

CURRENCIES:
The initial concern for foreign exchanges this week will be whether the dollar can continue the rally prompted last Friday by the release of the May US labour market report. **Page 27**

COMMODITIES:
The world's cocoa producers meet in London this week, with cocoa prices at their highest levels for 6 years. **Page 26**

UK COMPANIES:
WH Smith, the retailing and distribution group, has signed its biggest US airport deal, expected to add $25m to its current annual turnover of $65m.
The demerger and flotation of VideoLogic, the electronics company, is expected to be announced this week. **Page 26**

INTERNATIONAL COMPANIES:
Mercedes-Benz of Germany, has started production in Indonesia of its MB 700 range of light-duty trucks and buses. **Page 27**

STATISTICS

Astra satellite group plans £1bn float

By Raymond Snoddy

Société Européenne des Satellites, the Luxembourg company behind the Astra satellite television system, is planning a flotation which it is believed will valued it at more than £1bn.

The company, which already broadcasts 50 television channels over Europe, would be floated on the London Stock Exchange and a number of other European exchanges, probably before the end of next year.

A formal decision to float and the date will depend on the successful launch of the fourth Astra satellite, due in September, and the marketing of channels on the fifth and sixth satellite, which will be devoted to digital television services. Digital compression technology will enable the two satellites to deliver more than 400 channels of television.

Flotation has been brought a step nearer by last week's agreement that Deutsche Bundespost Telekom, the soon to be privatised German telecoms group, will buy a 16.6 per cent stake in SES for £180m – much higher than previously expected. DBP agreed to buy 25 per cent of the two-thirds of SES held privately. The remaining third is held by Luxembourg state-owned financial institutions.

The German stake amounts to around 20 per cent of the financial assets of SES (because the private investors put up about 80 per cent of the finance). This suggests a current notional value of around £900m for the satellite group, which made profits of £55m last year. The DBP deal was accompanied by a £100m capitalisation to pay for the new satellites.

The German deal and the new value it helps to establish for SES is important for Thames Television, an early investor in SES and now part of Pearson, the information and entertainment group that also owns the Financial Times.

In 1986 Thames paid £7m for a 10 per cent stake and has had most of thet back in dividends. Thames will also get £10m compensation for its stake in the enlarged SES falling to 6 per cent. Altogether, the value of Thames's SES stake could now be around £75m. Pearson paid £99m for Thames, where the other assets include £40-£50m a year in revenues from independent production, Teddington studios, a programme library and stakes in two satellite channels.

DBT remains the largest shareholder in *Eutelsat*, the satellite "club" of Europe's telecoms groups, and the main rival to SES.

DBT's stake is a tacit admission of the success of SES but also an indication that the group wants to take advantage of SES plans to go digital next year. The DBT deal could also give SES a relationship with Bertelsmann, the international medie group, and with the Kirch organisation which dominates German film rights.

Brussels will this week decide on the $3bn Shell-Montedison venture

Signs of an end to merger wave

By Daniel Green

On Wednesday, a meeting of European commissioners is scheduled to decide whether to allow a $3bn plastics joint venture to be created by Royal Dutch/Shell and Montedison, the industrial arm of Italy's troubled Feruzzi empire. To try to secure approval, the companies are prepared to offer concessions that will limit the strength of the joint venture. But if the deal is blocked, it could signal an end to the round of chemicals industry restructuring that dominated the early 1990s.

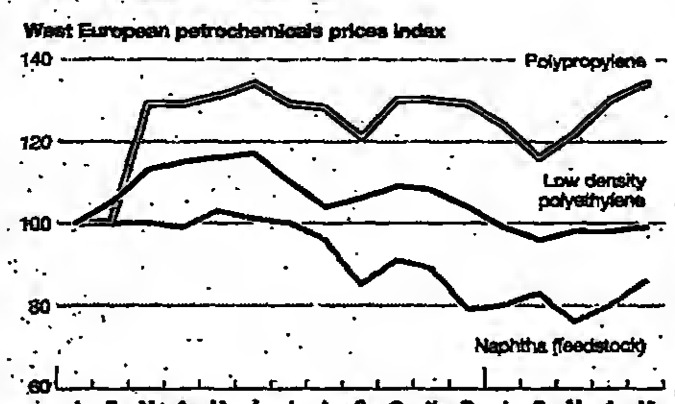
Called Montell, the joint venture would plug gaps in each company's strategy. Both are strong in polypropylene, a material with annual global sales of about $10bn. Montell would have a global market share of about 19 per cent, four times its nearest competitor, and a European share of 24 per cent.

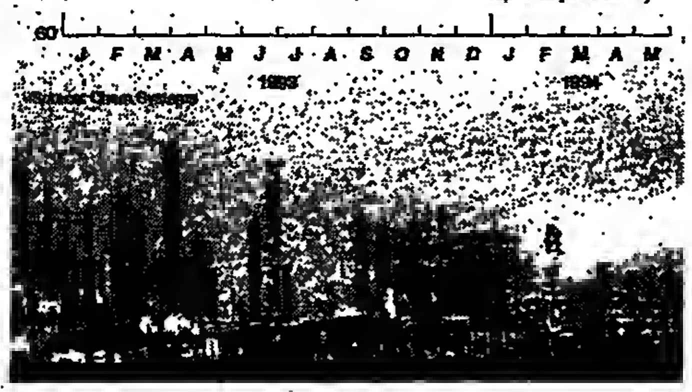
Montedison's forerunner, Montecatini, pioneered the development of polypropylene in the 1950s and the company's plastics subsidiary Himont remains a world leader with a technology licensed to companies in North America and Asia.

But Montedison is hampered by a debt mountain of L13,600bn ($8.4bn) – even after a L5,177bn rights issue in January – and by the high cost of buying in feedstocks. Shell has financial strength and petrochemical feedstocks. It is strong in markets such as northern Europe and Australasia, but weak in southern Europe and east Asia where Montedison is well placed.

Montell would also be a strong player in the $25bn-a-year market for polyethylene, best known for plastic bags and film. Himont has developed a technique for making linear low density polyethylene, or LLDPE, which has some advantages over older methods.

The pressure eases





The proposed Shell-Himont venture is just the latest in Europe's industry-wide restructuring. The biggest moves in the past two years include Hoechst's merger of its PVC and plant protection businesses with those of Wacker-Chemie and Schering, in Germany; Snia of Italy's fibres deals with France's Rhone Poulenc and with Courtaulds of the UK; and ICI of the UK's nylon-for-acrylics swap with Du Pont of the US.

Such deals have been a response not only to recession but to the rise of three groups of global competitors:

- *Eastern European manufacturers* are exporting cheap commodity chemicals to western Europe, taking advantage of low labour costs, weak currencies and lax environmental controls.
- The Middle East is now a source of petrochemicals and plastics with the advantage of abundant local feedstocks.
- East Asia has emerged as a force in chemicals as exports from Europe and the US have been displaced by local plants large enough to supply customers in Europe and North America.

The *strength of these competitors* is reflected in the relatively slow growth of western European chemicals exports: between 1985 and 1992 exports rose 13 per cent to Ecu 48.9bn ($42bn) but imports climbed 29 per cent to Ecu 24.3bn, according to the European Chemical Industry Council.

Rationalisation of the western European industry may or may not reverse this trend, but it has at least helped to rescue corporate earnings. First-quarter pre-tax profits et Germany's BASF, a hig polypropylene producer, rose 46.6 per cent to DM349m ($210m). Strong performances were also *revealed by Hoechst and Bayer*, another German company. There was optimism too from Akzo Nobel, created by the Dutch group Akzo's takeover of Sweden's Nobel Industries.

Shell acknowledges that the *industry's emergence from recession* may slow the restructuring drive. Companies and politicians are more amenable to cost-cutting ventures when profits are under pressure. "It's easier to put together a deal when times are brutal than when they are not," says one Shell executive.

This week's Commission decision could confirm that time is indeed running out for industry mergers. A committee of national competition experts has recommended that the joint venture be vetoed. Shell says the main issue is control over polypropylene technology and, as a result, the past few days have seen last-minute concessions by hoth parties.

"There is a point at which the price of concessions makes the fundamental synergies not beneficial enough," says Shell. But failure would be hard to swallow. "We have invested three years in coming to this point. We faced a lot of naysayers inside and outside the organisation, arguing that it would be too complex to get *done. But strategically it is* a beautiful fit."

Lex, Page 22

Direct selling of insurance gets continental break

By Richard Lapper

Zurich Insnrance's plans to launch a telephone-based direct sales subsidiary et first appear unexceptional. After all, the investment is unlikely to dent the balance sheet of Switzerland's best capitalised insurance company.

Yet the new business, which *Zurich intends to extend rapidly* to EU countries, indicates the arrival of direct selling in conservative continental markets, where agents – usually selling exclusively for companies such as Allianz, Union des Assurances *de Paris* and Generali – *hold* sway. "Direct writing" bypasses middlemen and instead reaches customers through mass media advertising and telephone sales.

This sales method is firmly established in the UK, where the original telephone insurer, Direct Line, a subsidiary of the Royal Bank of Scotland, has become the country's largest motor insurance company in less than 10 years.

Deregulation of the European market will give further impetus to the development of direct writing. Next month EU members must abolish rules which require minimum prices to be set for some lines of home and motor insurance, and local regulators to approve policies.

Zurich's Swiss rival Winterthur has been quicker off the mark in direct writing: its Churchill subsidiary is the second higgest direct writer in the UK.

Yet Mr Rolf Hüppi, Zurich's president and chief executive, is now a fervent advocate of the technique. *Zurich Municipal*, a UK subsidiary which specialises in local authority insurance, has achieved an expense ratio (expenses as a percentage of premiums) of 12 per cent, way below the industry average, by selling policies direct rather than through a broker.

Telephone links will allow Zurich greater contact with customers, which Mr Hüppi is prepared to underline brutally. "Anybody who says that our customer is *the broker gets shot* where he stands." Above all, direct sales methods rednce costs. "The new

> This sales method is firmly established in the UK

ways of distributing our product are more effective than traditional ways. The opening up of the market will mean an enormous pressure on *costs*," *adds* Mr Hüppi.

Zurich is signalling its confidence by launching Zuritel in the Swiss market, which is highly traditional even hy the standards of Germany and Italy – probably the most conservative in the *EU*. Swiss motor and home policies are typically five or 10-year contracts. Only seven of the 26 cantons – mainly French-speaking ones – allow private insurers to offer buildings insurance.

Even so the company believes Zuritel will establish a foothold in *Switzerland and expand rapidly*. The key tests will come in Germany, the continent's most lucrative market, where hitherto direct writers such as Tellit and Kosmos have made only limited headway; and in France, where a *number* of low-cost *mutuals* control large swathes of the personal lines market.

This week: Company news

SMH

Worries surface as Swatch sales mark time

SMH, the big Swiss watchmaking group best known for the phenomenally successful Swatch, will receive journalists and investment analysts at its annual results presentations tomorrow *in Berne*.

In sharp contrast to the festive mood of the last two presentations – following profit rises of 32 and 64 per cent and a rocketing share price – tomorrow's affair is likely to be sober, possibly even quarrelsome.

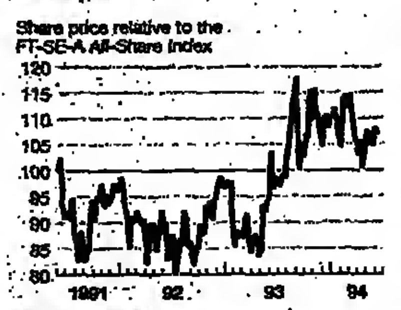
The SMH bearer share has lost a third of its value in the past year in response to a succession of unfavourable rumours and developments that have not yet been fully explained by the group's usually voluble chairman, Mr Nicolas Hayek.

Fears in October that Swatch sales were stagnating appeared to be confirmed in February when the group announced flat sales for 1993 of SFr2.86bn ($2bn) and net income up only 7 per cent to *SFr440m. Although* SMH makes several other famous and highly profitable brands, including Omega, Blancpain, Longines, Tissot and Rado, Swatch provides the vital volume.

Meanwhile, SMH's strategy of applying the Swatch brand name to other consumer products is looking a bit frayed since *the group's testy* admission a few weeks ago that production of a Swatch telephone set has been halted. And plans for the long awaited Swatchmobile, an environmentally friendly car, remain unclear.

The withdrawal of Mr Stephan Schmidheiny, a prominent Swiss industrialist, from the controlling shareholder pool last December sharpened *suspicions that* Mr Hayek prefers to run the group single-handed. Many analysts are wondering if he is putting enough effort and resources into securing the group's place in the post-Swatch mass market.

Vodafone



Source: Datastream

VODAFONE

Better reception hope for the medium term

By Andrew Adonis

The UK mobile communications group Vodafone has been pushed off its *pedestal, its shares falling* from an all-time peak of 637p in February to 517p at the end of last week. But analysts expect its 1993-94 pre-tax profits, due for release tomorrow, to be in the range of £350m-£370m ($525m-$555m) and its medium-term *prospects are still* seen as healthy.

At £360m, Robert Fleming's mid-way projection, Vodafone would be 12 per cent ahead of last year's £322m, with earnings per share of 24.2p up 9 per cent. "The UK cellular market is becoming more competitive, but *Vodafone is holding its own*," says Mr Kevin Langford, Fleming's mobile communications analyst. "The main concern is about prospects for its new digital networks and the expansion of its overseas business."

Vodafone's shares have been depressed hy the recent malaise in the telecoms sector. But it enjoyed record numbers of new *connections* in December and March, and now boasts *1.2m UK subscribers*.

Vodafone is well on the way to realising its goal of acquiring overseas franchises with an aggregate population equal to the UK, adjusting for income and the company's share of consortia. But it has yet to make much return on overseas investments.

OTHER COMPANIES

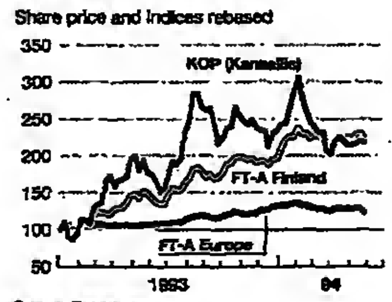
Euro Disney rescue with added attraction

The EuroDisneyland theme park will on Wednesday have an added attraction when Euro Disney, its beleaguered operator, stages an extraordinary general meeting for shareholders to approve proposals for its FFr13bn ($2.3bn) rescue package. However, Euro Disney, which will also announce the terms of a FFr6bn rights issue, will for once have some good news to discuss following last week's surprise announcement that an Arab prince plans to buy a stake of up to 24 per cent.

■ **Kansallis-Osake-Pankki:** Finland's leading commercial bank is expected to have remained heavily in the red, when it reports figures for the first four months today. Continuing high credit losses and the impact of rising long-term interest rates have led analysts to predict a loss of FM400m-FM500m ($93m) for the period, compared with a FM826m deficit a year ago. KOP, which has reported *three consecutive years of losses*, has already predicted another deficit for 1994 before an expected return to profit next year.

■ **KPN:** The price of shares in Koninklijke PTT Nederland, the state-owned Dutch postal and telecommunications company, will be announced today, ahead of the start of a three-day subscription period. Analysts expect the price to be fixed in the bottom half of the Fl46-Fl52 range established by the underwriting *syndicate last month*. The *Dutch state* is selling a 30 per cent stake.

Finland



Source: Datastream

■ **ENI:** The Italian state oil concern is expected on Wednesday to unveil losses for the second consecutive year. The 1992 losses of L1,108bn ($700m) reflected both the poor state of the chemicals sector and write-downs because of the corruption scandals. The latest accounts will be affected by restructuring costs and ongoing *chemicals losses*.

■ **Pilkington:** The UK glass group, is expected to announce on Thursday that pre-tax profits more than doubled in the year to March to around £105m ($158m) compared with £41m. The figures will be buoyed by exceptional gains, primarily proceeds from the sale of spectacle lens business Sola. Profits before exceptionals should amount to around £65m.

Companies in this issue

WH Smith in US airport deal

By Neil Buckley

WH Smith, the retailing and distribution group, has signed its biggest US airport deal so far, expected to add $25m to its current annual turnover of $65m (£43.3m) from its 93 US airport shops.

The company has been awarded a contract to operate eight news and gift shops at Los Angeles International, the world's fourth largest airport.

The contract is the largest news and gift concession in a US airport, representing about 40 per cent of all concessionary business at Los Angeles International.

Smith beat competition from the existing incumbent, Duty Free Shoppers, and Allders International, the duty and tax free retailer.

The Los Angeles contract follows recent awards of concessions at Denver, Atlanta and Louisville airports.

It takes the number of US airports where Smith has outlets to 15, including Chicago, Orlando and Las Vegas.

The biggest airport where it is not yet represented is Dallas-Fort Worth, but Smith says it will pitch for a contract there as soon as there is an opportunity.

"We have broken through the sound barrier in terms of getting ourselves established as a name in US airport retailing," the company said. "We now have critical mass."

Smith has been expanding in the US since 1985. In addition to airport shops, it has 270 hotel outlets as well as the 170-store music chain The Wall, and Waterstone's bookshops in Boston and Chicago. Other openings are planned.

While most of its airport outlets are news stands and gift shops under the WH Smith name, it is keen to expand The Wall and Waterstone's formats into airports, and has already done so at Pittsburgh airport.

With 60 more large US airports where it is not represented, and passenger volumes expected to double in the next 15 years, the company sees significant expansion opportunities. The business is lucrative, with sales densities of more than $1,000 (£660) a square foot last year.

The company's ambitions are in line with forecasts by experts such as Professor Gary Davies of Manchester's International Centre for Retail Studies. He predicts that large travel termini, with their high customer densities, will become increasingly popular sites for retailers.

Smith is also monitoring airport developments in east Asia with a view to opening retail outlets there.

Biocure raising £0.8m in USM float

By James Buxton, Scottish Correspondent

Biocure Holdings, the pharmaceutical research company which produces diabetic healthcare products, is coming to the Unlisted Securities Market next month.

It is raising £810,000 net through a placing of shares at 40p and is offering shareholders the chance to subscribe for extra shares under an open offer. The proceeds will be used for working capital.

Having initially raised money through a BES, Biocure joined the third market in 1989. After this was wound up in 1991 its shares were traded under Rule 535 (2). Ahead of the USM flotation this facility has been withdrawn at the company's request.

Biocure was formed in 1984 in Aberdeen to research anti-cancer and healing compounds discovered by Mr Neil Hendry, its main shareholder. In its early stages it was funded by Barratt Developments, the housebuilder whose former deputy chairman, Mr Bill Bruce, chairs the company.

In 1992 Biocure acquired Hypoguard, a Suffolk-based company which makes blood glucose monitoring meters and test strips for diabetics. It exports to 30 countries. Hypoguard plans to double production capacity over the next year.

Biocure Holdings incurred a pre-tax loss of £1.3m on sales of £1.9m in the year to June 30 1993 but is now forecasting profits.

The placing and open offer is being sponsored by Allied Provincial Securities.

Finance director leaves Wellcome

By Daniel Green and Paul Taylor

The surprise announcement by Wellcome that Mr John Precious, its 51-year-old finance director, is leaving "to pursue other opportunities" has again focused market attention on the pharmaceuticals group.

Wellcome's shares fell 13p to 543p on Friday after the announcement which added that Mr Precious would, "continue with his current responsibilities for the time being while a successor is sought."

The company said his departure was amicable, but analysts noted that this was the latest in a string of management and boardroom changes and it comes at a critical time for the group whose fortunes have ebbed over the last few years.

Wellcome has gone through a series of senior management changes since the company sold 270m shares at 800p in 1992.

Mr John Robb, chief executive since 1990, took over the chairman's post last August from the unwell Sir Alastair Frame and was confirmed in this additional role this year.

In April, the director of research and development outside the US, Mr Trevor Jones, moved "to become an adviser to John Robb." His job was absorbed by the US director of research development, Mr David Berry.

Now the departure of Mr Precious adds another discontinuity to Wellcome's management strategy.

Eleco warns on full year

By Joan Gray

Eleco Holdings, the building products and construction group which returned to the black at its December interim after restructuring, has announced further disposals and warned that its full year results will be adversely affected by a poor performance at Davis Group, its cable management subsidiary.

Davis' second half results were hit by difficult market conditions in Germany and the UK, and are expected to have a significant impact on group results as a whole for the year ended June 30.

The company is now up for sale and preliminary negotiations are in progress.

Eleco's subsidiary Webster Homes has completed the sale of parts of its Orsett site, valued at £2.35m in the group accounts at June 30 1993, for £772,500 and £1.67m respectively, both for cash.

Quadrant in black

Quadrant Group, the photographic and video concern, moved from losses of £15.9m to profits of £786,000 pre-tax for the year to February 28.

Turnover of continuing activities fell from £47.9m to £43m. Earnings per share of 3.36p against losses of 59.83p.

Radstone beats forecast with £1.45m

In its first set of results since flotation in February, Radstone Technology, the supplier of open architecture computer subsystems to the defence and industrial sectors, beat a forecast of £1.35m for the year ended March 31 with pre-tax profits of £1.45m.

This compared with £1.87m for the previous year and was achieved from turnover up from £25.9m to £28.3m.

Basic earnings per share amounted to 5.7p, against 11.75p. As stated in the prospectus, the first dividend payment will be an interim distribution for the current year.

Smith New Court research is 'best overall'

Smith New Court is providing the best overall research service in the City of London, according to an annual survey carried out by Greenwich Associates, a US-based consultancy.

The report shows that Smith New Court has managed to nudge ahead of James Capel and Warburg Securities.

The three investment houses tied in first place last year.

The report is compiled by Greenwich Associates staff.

One of the key tables shows how 53 institutions paying more than £1m of commission view the research service provided by the firms.

The institutions are asked which brokers they rank as a "top 15 firm".

This year it shows that UBS has slipped from joint fourth to joint seventh with Hoare Govett.

Behind the top three of Smith New Court, James Capel and Warburg comes Nat West Securities which has moved up three places after finishing seventh last year.

BZW ranks joint fifth with Kleinwort Benson, Cazenove comes in ninth and Crédit Lyonnais tenth. The five others making up the top 15 firms are: Charterhouse Tilney, Goldman Sachs, Morgan Stanley, Panmure Gordon and Henderson Crosthwaite.

Another key table shows how all 135 investment institutions rank broking research.

Here both James Capel and Warburg are seen as providing the joint best service followed closely by Smith New Court.

Seeking funds to open window of opportunity

Alan Cane considers the flotation of VideoLogic

The demerger and flotation of VideoLogic, the electronics company developing some key components of the coming multimedia revolution, is expected to be announced this week.

Analysts believe the company could be capitalised at up to £70m.

The company is a subsidiary of Avesco, a broadcast equipment and services group whose trading performance has been adversely affected by VideoLogic's voracious appetite for research and development funds. It bought the company in 1989 for about £10m on the rationale that the companies' activities were complementary.

For the six months to September 30 Avesco incurred a pre-tax loss of £2.32m and at the time of reporting the figures announced a placement to raise about £5m, chiefly to fund VideoLogic's multimedia research. VideoLogic incurred a loss of £2.34m on sales of £4.56m in the same period.

This week's flotation, analysts estimate, should raise up to £25m of new money, much of which will go to repay debt to Avesco. Up to £15m, however, should be available as much needed working capital.

The flotation, likely to take the form of a preference application to existing shareholders coupled with an open offer, is eagerly awaited both by Avesco shareholders and VideoLogic's senior management.

Mr Derek Maclaren, VideoLogic's chairman, said: "We have been investing heavily for the past two years to exploit a window of opportunity in multimedia which is just beginning to open.

"Now we need public money to take advantage of the opportunity. Avesco cannot afford it. It bought a Formula One stable: very racy and very expensive."

Industry analysts believe a properly funded VideoLogic would be in pole position to make an impact in multimedia, the delivery of media services of all kinds through a single interactive channel to home or office.

Other forces in the industry agree. VideoLogic has either joint ventures or alliances with International Business Machines, British Telecommunications, Motorola and Matrox.

The company's strategy is based on the proposition that the receiver for multimedia services, essentially the screen on which information will be displayed, will be the personal computer rather than the television.

An essential part of multimedia, however, is the ability to handle full motion video and here personal computers are deficient. Video clips in a typical multimedia programme play in a window the size of a postage stamp. VideoLogic's microchips and printed circuit boards can give the computer the ability to display full screen, full motion video.

The potential market is very large. Dataquest, the US market consultancy, estimates the global installed base of multimedia personal computers will grow from 7m last year to 19m in 1995.

Suggestions that the company has at least a six month lead over its competitors are given credibility by the fact that the company's earlier video product, the DVA400, led the world in combining flexibility with low cost.

VideoLogic's products are sold to other manufacturers to build into their systems, to corporate customers and, through retailers, to the public.

Warburgs, VideoLogic's adviser, is predicting operating profits of between £4m and £9m on sales of £50m to £90m in 1995-96.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Fleming (US)	Unit of Franz Haniel (Germany)	Food distribution	£728m	Haniel selling for cash
Owens-Corning (US)	Units of Pilkington (UK)	Insulation	£80m	Non-core disposals
Deutsche Bundespost Telekom (Germany)	Ste Europeenne des Satellites (International)	Broadcasting	est £50m	Buying 25% stake
Mattel (US)	JW Spear (UK)	Games	£52m	Rival to Hasbro bid
Wolseley (UK)	Calumet Holdings (US)	Photographic equipment	£28m	Expanding distribution business
Pentland (UK)	Karl Reusch Handschufabrik (Germany)	Sports goods	£20m	Denting cash pile
North American Life Assurance (Canada)	Unit of Sun Alliance (UK)	Insurance	£10.8m	Sun selling Canadian arm
Racal Electronics (UK)	Techno-Transfer Industries (Singapore)	Ships and boats	£9.7m	Cash for 80% stake
Micro Focus (UK)	Burl Software Laboratories (US)	Computer services	£8.9m	Pooling of interests
Prince Al-Waleed Bin Talal (Saudi Arabia)	Euro Disney (US/France)	Recreational facilities	n/a	Could take 24.5%

Mercedes-Benz expands in Asia

By Kevin Done,
Motor Industry Correspondent

Mercedes-Benz of Germany, the world's leading heavy commercial vehicle maker, has started production in Indonesia of a new range of light-duty trucks and buses aimed at weakening the Japanese stranglehold on Asian commercial vehicle markets.

The launch of the MB 700 marks a change in Mercedes-Benz's approach to developing new vehicles for the global commercial vehicle market, as it seeks to overcome the disadvantage of its high cost base in Germany.

The MB 700 range of light-duty trucks (7.5 tonnes gross vehicle weight) has been developed to meet Asian cost levels with a system of global sourcing of components.

The vehicles will be assembled in Indonesia by PT German Motors Manufacturing, a joint venture company in which Mercedes-Benz holds a stake of 33.3 per cent. It will be for the local domestic market and for export to other countries in south-east Asia and the Middle East.

Output is planned to rise to about 5,000 trucks and midibuses a year with sales of about 2,000 a year in Indonesia.

Engines for the vehicles will be assembled in Indonesia from components produced by Mercedes-Benz's commercial vehicle subsidiary in Brazil.

Transmissions and front axles are to be supplied by Tata Engineering and Locomotive (Telco) in India, while the rear axles will come from India from AAL, a licensee of Rockwell, the US automotive components supplier.

Brakes and shock absorbers will be supplied from India, propeller shafts will be made by Spicer in the US, Mercedes-Benz Argentina will supply the mechanical steering system, optional power steering will come from Koyo in Japan, while cab parts will be supplied by Mercedes-Benz's Spanish subsidiary.

The chassis frames and cabs will be assembled in Indonesia, and local components producers will supply wheel rims and tyres, the exhaust system, springs and truck and bus bodies.

"The supply of major components from a country with high wage levels such as Germany could not satisfy the cost target. New ways had to he found," said Mr Klaus-Dieter Vöhringer, Mercedes-Benz components production director.

As part of its expansion in Asia the German group is also investing DM85m ($49.4m) to establish a central parts distribution centre in Singapore, which eventually will have the capacity for supplying more than 15,000 different replacement parts and components to markets in Asia.

Mercedes-Benz is aiming to use the MB 700 range to expand its presence in several regions of the world with production of similar vehicles planned for Saudi Arabia, Turkey and South Africa. It is seeking a general manufacturing licence to begin assembly in Vietnam, and is targeting emerging markets in China and in the Commonwealth of Independent States.

While Mercedes-Benz, the world's leading producer of trucks over six tonnes (gross vehicle weight), has a share of of 30 per cent of the west European market, 40 per cent in Latin American countries and 25 per cent of the US heavy truck market, it has an overall market share of only 1 per cent in south-east Asia.

In addition to the MB 700 range of trucks and midi-buses from Indonesia, Mercedes-Benz is planning to supply a range of light commercial vehicles to Asian markets from South Korea.

A version of its MB100 panel van, currently produced in Spain for sale in Europe, is to be manufactured by Ssangyong, the Korean vehicle makar in which Mercedes-Benz holds a small minority stake.

Saatchi releases managers in NY shuffle

By Richard Tomkins
In New York

Saatchi & Saatchi Advertising, the US arm of Britain's Saatchi & Saatchi advertising group, is parting company with its most senior managers as part of a shake-up to bring tha struggling New York operations back to life.

The company said Mr Harvey Hoffenberg, who became chairman of Saatchi & Saatchi Advertising only last year, would be leaving at the end of June. Mr Hoffman has been the New York office's chief creative officer for the past five years.

The other departure is that of Mr Rich Pomder, the US company's vice-chairman. He had been with the company for 21 years.

A reshuffle of the New York office had seemed likely following the decision by Saatchi & Saatchi in London to send over Mr Bill Muirhead, previously head of the company's Charlotte Street offices, to become chairman and chief executive of Saatchi & Saatchi North America.

While the British parent company has been engulfed by a power struggle between Mr Maurice Saatchi, its chairman, and Mr Charles Scott, its chief executive, many of its financial difficulties are due to the poor performance of its US operations.

Several big accounts have been lost, including one from Chrysler's Jeep/Eagle division and for Brown & Williamson's Kool cigarettes. More important, it has been slow to attract new billings. According to Adweek magazine, it won only $101.5m worth of business last year, leaving it 12th in the rankings.

The US company announced its reshuffle late on Friday after the markets had closed, and could not be contacted for comment. But according to its statement, Mr Michael Jeary, chief executive officer of Saatchi & Saatchi's San Francisco office, will become chief executive in New York. Mr Muirhead had previously been looking after the job.

On the creative side, Mr Stanley Becker, vice-chairman and chief creative officer of Saatchi & Saatchi DFS Pacific Los Angeles, will be given responsibility for "the restructuring and regeneration of the Saatchi New York creative department".

German banks prepare to launch money-market funds

By David Waller
in Frankfurt

German banks are preparing to launch money-market funds in Germany this summer following the Bundesbank's surprise decision last month to drop its opposition to the funds.

The German government plans to implement legislation allowing the funds as part of the second Financial Markets Promotion Act due to become law at the beginning of August this year.

"There are plenty of details to be worked out but we plan to introduce new funds as soon as is practicable," said Mr Christian Strenger, chief executive of DWS, the Deutsche Bank affiliate which is Germany's largest fund manager.

Money-market funds are short-term investment vehicles which are very popular as a highly liquid alternative to fixed-term deposits in countries such as the US and France. Units in the funds can be bought and sold on a daily basis and investors can enjoy a better return than for straightforward deposits.

The Bundesbank has long argued that the funds, which invest in short-term government bonds, certificates and bank debt of less than one year, would diminish the effectiveness of its monetary policy. This was chiefly because they would have circumvented its minimum reserve policy, which requires banks to lodge a proportion of their deposits with the central bank on an interest-free basis.

The central bank's opposition to the funds has waned in the past 18 months, during which time it has cut its main minimum reserve requirements from 4.95 per cent to 2 per cent.

Over the long-term, the introduction of funds is likely to put pressure on banks' funding structure as customers shift their savings from deposits – a source of cheap financing for banks – to the new funds. But bankers said that current low short-term interest rates would ensure only a limited interest in the products when they are introduced.

A study from DB Research, the Deutsche Bank research arm, said last week there is considerable investment potential for the funds. They will be able to invest in DM300bn ($174bn) worth of short-dated bonds with a residual life of one year or less, as well as other short-dated instruments such as floating-rate notes and commercial paper.

In other countries, short-dated government securities are the chief investment vehicles for money-market funds. The Bundesbank objects to the government borrowing on a short-term basis but DB Research argues that the funds will remove resistance to such short-term borrowing.

Papua New Guinea reviews mining policy

By Nikki Tait in Sydney

Mr John Kaputin, Papua New Guinea's mining and petroleum minister, cast a new shadow over the future of mining projects in the country when he announced at the weekend that he intended to review national mining and petroleum policy and would need the next six to 12 months to do so.

Speaking to mining executives at PNG's annual geology, exploration and mining conference in Lae, Mr Kaputin indicated that after the large A$1.2bn (US$857m) Lihir gold mine project was finalised, there would be a moratorium on further mining project decisions.

"Let me advise you that after this project [Lihir], we will hold everything and I have been instructed to use the next six to 12 months to come up with a new policy," Mr Kaputin said.

"I am not, at this stage, in a position to let you know what my terms of referenea are going to be, but we will be visiting a number of countries to examine their respective mining and petroleum policies in order to re-examine our own national policies."

Already, the PNG government has kept the international investment community on tenterhooks over Lihir. Originally, there were hopes that the necessary special mining lease for the project – a joint venture between Britain's RTZ group and Niugini Mining, which is controlled by Canada's Battle Mountain – would be granted by the government at the beginning of 1994.

However, the matter has subsequently been bogged down in the PNG cabinet for months, with the dispute apparently centred on whether the state-owned Malaysian Mining Corporation should be brought into the project at an early stage, and what share of the equity should be given to local landowners.

Mr Paias Wingti, PNG's prime minister, recently told parliament that the deal would he concluded "properly and... at the right time". He added that "we will not he pressured by lobby groups."

The decision by Mr Kaputin, who took over the mining portfolio in a ministerial reshuffle at the beginning of this year, to put future projects on hold while he reviews PNG's mining policy seems likely to jeopardise further PNG's already-strained relations with parts of the international investment community.

RTZ in London could not be contacted for comment.

GMA launches A$182m bid for Dominion

By Nikki Tait

An A$182m (US$130m) bid for Dominion Mining, the Australian gold producer, has been launched by Gold Mines of Australia, another Western Australia-based miner.

GMA, which said it had picked up a 5.4 per cent stake through recent stock market purchases, plans to offer three of its own shares for every four Dominion shares. If the deal goes ahead, it would roughly double the size of GMA, which is currently capitalised at about A$150m.

GMA said this was one of the reasons for the bid. The greater size of the group would make it more attractive to investors.

GMA was formed by the merger of three mining companies, Eastmet, Metana and Paragon Resources, and estimates that production will stand at about 100,000 ounces of gold in the year to June.

Most of its current projects are in either Western Australia or New South Wales, and a new underground mine at the Yonanmi project in Western Australia is due to come on stream in October.

Dominion has been beset by concerns over its reserves and operating costs, and has suffered a bumpy earnings record in recent years.

US Steel accuses NKK of poaching

A legal wrangle has broken out between US Steel and NKK, the Japanese steel group, over NKK's success in poaching a group of top managers to run its 75 per cent-owned US subsidiary, National Steel, writes Richard Waters in New York.

Among other things, US Steel has sought an injunction to prevent the five managers who defected to National Steel last week from divulging trade secrets or other commercially sensitive information.

The five were all poached from US Steel's plant at Gary, Indiana, the largest steel mill in the US. The group is led by Mr John Goodwin who is widely respected in the industry for turning the Gary works into one of the US's most efficient plants. Mr Goodwin was last week named president and chief operating officer of National Steel.

On Friday, US Steel said it had filed a complaint in Lake County Superior Court in Hammond, Indiana, seeking the injunction against the five and damages from NKK and National. It said it had asked for a temporary restraining order to prevent NKK and National from approaching any of its employees.

COMPANY NEWS DIGEST

Litigation costs accountants $1.1bn

Litigation last year cost the big US accounting firms over $1bn for the first time, according to figures published by the six biggest firms. The amount, just short of $1.1bn, compares with $783m the year before and is made up of judgments, out-of-court settlements and legal defence costs, writes Richard Waters.

Publication of the figures, for which no detailed breakdown was given, is part a campaign by accountants in the US for legislative reform to limit their exposure to malpractice suits.

Most of the increased costs last year were met by insurance. Payments from insurance companies (after deducting premiums) came to $416m, up from $185m in 1992 and only $8m in 1991. After insurance recoveries, litigation coste amounted to 12 per cent of their accounting and audit fees, according to the firms – Arthur Andersen, Coopers & Lybrand, Deloitte & Touche, Ernst & Young, KPMG Peat Marwick and Price Waterhouse.

Institutions back ASX reform plans

Australia's institutional investors have thrown their support behind the suggestion that the Australian Stock Exchange should introduce a new listing rule for "best practice" in the corporate governance of listed companies, writes Nikki Tait.

The Australian Investment Managers Group, which represents most of the country's institutional fund managers, said yesterday that it "strongly supported" such an initiative by the ASX, which would be modelled on the London Stock Exchange.

This would require listed companies to disclose if they were not complying with the best practices guidelines incorporated into the listing rule.

Optus signs satellite TV deal

Australis Media and Continental Century, holders of Australia's two freely-available satellite broadcasting licences, yesterday announced a 10-year agreement with Optus, the telecommunications group, for the satellite delivery of their broadcast services, writes Nikki Tait.

The deal marks a further step towards the introduction of pay-television in Australia.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Richard Waters in New York

Weevils in the infrastructure carrots

A 20-25 per cent return for investing in a stable utility such as a power station, or a toll road? A way into the emerging markets of Asia without pumping more cash into what have proved highly volatile stock markets?

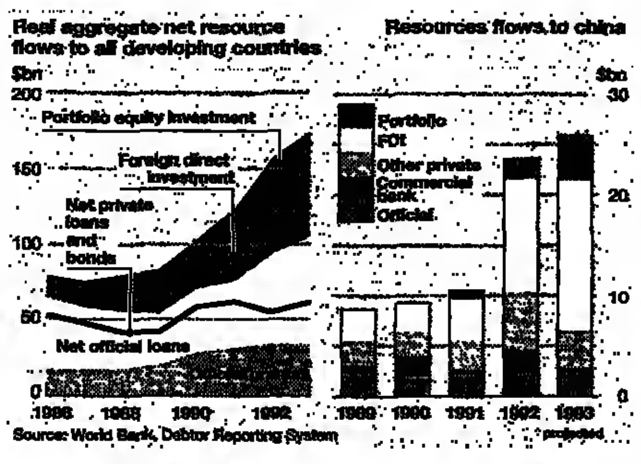
These are the sort of carrots being dangled in front of pension funds and other long-term investors in the US and other developed nations. Sooner or later, no doubt, many members of pension schemes or holders of mutual funds will indirectly own part of a toll road in Guangdong, a power plant in Malaysia or a telephone company in Indonesia. But when and how will thosa investments be made – and at what sort of return?

Private investment in infrastructure in the developing world – mainly Asia – is running at about $15bn a year, according to one international development agency. That is a drop in the ocean compared with the $200bn being spent annually on power, water, telecommunications, transport infrastructure and drainage.

A large part of the $200bn is going on projects, such as sanitation, which will never attract private money; but there is still a buge demand for capital which even the fabled savings rates of Asia's populations cannot satisfy. Much of it will simply have to come from internationel investora and western commercial banks. This is likely to be one of the conclusions drawn by the World Bank, which is publishing a study on infrastructure needs this month.

That suggests one possibla answer to a nagging question: if utility projects are so safe, why promise such big returns? In part, because capital from the developed world has not yet been mobilised on a significant scale. That places an immediate premium on those investments that are being made.

There are signs that the money is starting to flow. Last week, the biggest fund of its kind – a $1.1bn Asian infraatructure fund backed by American International Group, the US insurer – was finalised. Peregrine investments, a Hong Kong-based firm, is close to completing the first half of its $1bn fund.



Portfolio investment may have been the most visible aspect of the renewed capital flows to devaloping nations this decade, but it has not been the most significant. Direct investment makes up the lion's share (see charts.) Bypassing tba markets has obvious attractions: fewer valuation problems and less volatility. For long-term investors, there is also an attraction in the annuity-type returns of a utility.

But these projects carry their own risks, aside from the obvious problems such as political upheaval or a balance of payments crisis, or the difficulties of completing the technically advanced projects.

First, the high rates of return envisaged at present may simply not be available. They amount to an extra tax on local consumers – a concern that the Chinese are beginning to raise. One power project is reported to have been put on ice this year after the authorities refused to countenance an annual return for the equity investors of more than 15 per cent.

A typical independent power station in the US earns a return of some 12-13 per cent a year. China (with a 13 per cent growth rate and commensurate growth in the demand for power) can be forgiven for asking why its consumers should reward foreign capital at twice the US rate.

The projected equity returns ere also dependent on the sort of gearing levels seen in developed-world projects, where debt usually makes up some 75 per cent of the finance. Will debt be available on that scale in the developing countries?

Total return in local currency to 2/6/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.08	0.04	0.10	0.11	0.14	0.09
Month	0.34	0.19	0.45	-0.49	0.67	0.43
Year	3.69	3.34	6.75	6.94	10.13	5.81
Bonds 3-5 year						
Week	0.15	-0.87	-0.38	-1.33	-1.43	-1.15
Month	0.66	0.50	-0.67	-1.38	-1.43	-1.08
Year	0.74	7.26	6.52	6.01	15.59	3.79
Bonds 7-10 year						
Week	0.25	-1.83	-1.27	-3.08	-2.88	-1.63
Month	0.86	-0.05	-2.36	-3.63	-4.18	-2.54
Year	-0.32	9.29	4.02	4.19	18.04	3.15
Equities						
Week	0.1	2.3	-0.4	-3.8	-1.2	-1.2
Month	1.3	6.5	-6.7	-7.5	-8.7	-4.7
Year	3.4	5.2	28.8	14.2	37.6	9.0

Source: Cash & Bonds – Lehman Brothers, Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

One day, perhaps, bonds backed by a toll road in Guangdong will be as readily nvailable in the US as ones secured on a toll road in Orange County. Rating agencies such as Standard & Poor's point out that the model already exists: more than half of all municipal bonds issued in the US each year (or more than $100bn) are backed by specific projects. Right now, though, such vehicles are a long way off.

That leads to the second risk. In most developing countries, the public policy debate over the rights and duties of privately owned and operated roads or telephone companies is in its infancy. It's all very well to run a power station: but on what terms will it be connected to the national grid system? How are the tariffs set, or the regulations which govern access to electricity? Until there are clear answers to questions like these, many investors will stay away.

Third, there is the question of picking the right investment partners. Much of the private money has been channelled through contractors or equipment makers. Should portfolio Investors stand shoulder to shoulder with them as co-investors? The commercial interests of a contractor-investor are broader than those of a pension fund: they include selling, say, power generating equipment, not just making an investment return.

One of the most ambitious plans to date bas been the venture between GE Capital, part of General Electric (a big supplier of power systems), financier Mr George Soros and the International Finance Corporation. These people make curious bedfellows. To date, says GE Capital, they have made no efforts to raise the $2.5bn they talked of back in January: the projects must come first, the finance later. How eager will investors be to back a fund which seems at least in part to be acting as a vehicle for supporting GE sales?

And fourth, where is the exit? It all comes back to those stock markets. Sooner or later, many private utilities will find their way on to local bourses, as their shareholder-developers seek a way out. It all adds up to a huge demand for new investors somewhere down the line. But ot least by then the emerging stock markets will have had a chance to grow up a little.

COMMODITY MARKET REPORT Deborah Hargreaves and Kenneth Gooding

Little pressure to trim cocoa output

Most of the world's cocoa producers meeting in London this week will throw the focus on a market which has been overshadowed this year by the dramatic increase in coffee prices.

Producing countries will be discussing their efforts to manage output as part of a new 5-year pact which came into force in February. However, with cocoa prices at their highest levels for 6 years, producers are under little pressure to trim output.

Cocoa prices at the London Commodity Exchange bave risen since the beginning of the year by £50 to £1,040 a tonne. While this increase has been dwarfed by coffee's $1,000 a tonne upswing, traders report that hedge funds are increasingly turning tbeir attention towards cocoa.

World demand for cocoa is expected to outstrip supply by at least 160,000 tonnes this year and many commentators are predicting a shortfall of 300,000 tonnes for next yaar. Tight supplies sbould underpin prices for some time since it takes several years for newly-planted busbes to mature.

Fears in tha gold markat about central banks dumping some of their huge holdings of the precious metal have been subsiding. Neverthaless, the market will be studying carefully some of the papers to be presented by bankers at the FT Gold Conference today and tomorrow in London.

According to the latest market review from the Gold Fields Minerals Services consultancy, central bank sales added a net 475 tonnes of gold to supply in 1993. This was down from a net 626 tonnes in 1992 – but that was the year when the Belgian and Dutch central banks between them sold 600 tonnes.

Meanwhile, officials from the International Primary Aluminium Institute (IPAI) will be in Moscow on Thursday and Friday to continue negotiations about Russia supplying aluminium production statistics to add to those provided by western producers to the institute.

The International Zinc Association has organised an "international zinc day" in Paris tomorrow and Wednesday.

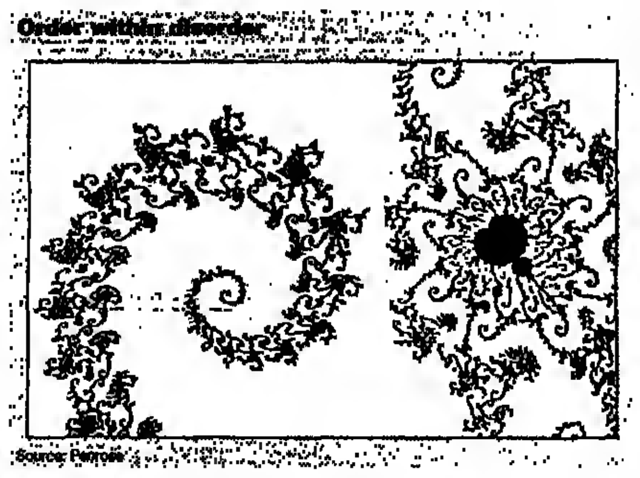
Economic Eye / Martin Wolf

Chaos in economics

"It will rain on Southwark Bridge at 11.05am on July 13 1995, for precisely 9 minutes and 5 seconds". Imagine that perfectly accurate forecasts of this kind could be provided for any place and time. Living would become unbearable. Fortunately, it is not merely difficult to achieve such accuracy, it is inconceivable.

As David Parker and Ralph Stacey note in their brave attempt to explain the implications of chaos theory to the mathamatically illiterata: "Non-linear feedback systems are highly sensitive to initial conditions, which means that some imperceptible noise in the system can escalate into major qualitative changes in the behaviour of that system. In such systems we cannot safely assume that small errors are unimportant . . . In fact, the links between cause and effect disappear in the complexity of interactions. In consequence, the long-term future of the system is inherently unpredictable".*

Order within disorder



Source: Penrose

Even though weather is chaotic, it is not random. Wa will never know when precisely it will rain (until it has happened), but we do know that London's temperature in July will be neither minus 20 degrees centigrade, nor plus 50. "Non-linear systems generate forms of behaviour that are neither stable nor unstable. They are continuously new and creative." They operate in a state of "bounded instability", which is qualitatively different from either stability or instability.

The chart, which comes from a book by the mathematical physicist, Professor Roger Penrose, illustrates what this means for a simple, non-linear mathematical relationship. The patterns are recognisable, but irregular. Tiny differences in initial sets of numbers lead to different, "yet recognisably similar patterns to the original shape". Such patterns are no mere mathematical curiosity. They can be seen in many natural systems: not just in the weather, but also in turbulent liquids and gases.

What does this mean for human affairs, particularly for economics? A great deal, argue the authors, who note that "all human systems are feedback systems. Furthermore, these systems always involve non-linear relationahips". Consider the way proud businesses like IBM and General Motors seem suddenly unable to control their fate. Consider tha apparent failures of Keynesian demand management in the 1970s and technical monetarism in the 1980s. Consider, more astoundingly, the collapse of Soviet Communism after saven decades of expansion.

These all seem excellent examples of what chaos theorists call a "phase transition" – a sudden qualitative change in a system's behaviour. But the last is the most symbolic. This is not just because this empire collapsed, hut also because of what it stood for. It was grounded on the conviction that societies could be planned. The goal was a rich society in which happy comrades would lose their capacity for self-interested behaviour. The result, millions of corpses later, is impoverished countries in which dispirited people act quite as selfishly as anywhere else. So much for the construction of socialism, *ignis fatuus* of our century.

The failure of socialist planning was most clearly foretold, in the 1920s and 1930s, by economists of the Austrian school, notably Ludwig von Mises and Friedrich von Hayek. This is not an accident. For the authors of the IEA pamphlet suggest that the Austrian vision of the economic process is both more in accord with reality and more justifiably critical of planning than standard neoclassical orthodoxy.

Both schools agree on the value of markets. But neoclassical theorists tend to see a market economy as a sort of giant calculator, with equilibrium outcomes pre-determined by maximising behaviour, subject to given resources, knowledge and tastes. Economics, for them, is just the logic of choice.

Austrians, by contrast, see the economy as an evolutionary system, propelled onwards by creative entrepreneurship. To work, such an economy must be based on private property, they would argue. Moreover, it cannot be planned, even in principle.

The difference between these visions is profound. Neoclassical general equilibrium theorists argue that the market outcome is optimal only if all spot and future markets clear simultaneously. But the vast majority of sucb markets do not even exist, an "imperfection" used to justify government interventions.

To Austrians, this so-called imperfection is not merely unavoidable, but precisely what justifies reliance on the market. For them, markets are the only way to secure adaptation to the inherently unforeseeable future.

Fortunately, orthodox economics does need to be thrown overboard, argue Mr Parker and Mr Stacey. It remains invaluable in thinking about the effects of particular economic processes, such as exchange rate over-valuation or monetisation of budget deficits. But in a chaotic system, accurate quantitative prediction is impossible.

If chaos theory does provide a mathematically sophisticated justification for the Austrian vision, that is good news, largely because professional economists can be persuaded only by arguments of that kind. But that vision has long seemed compelling. As with the rain, we will never know precisely what the economy will look like 10 years hence. But we do know what kind of economic system will adapt best to the changes we cannot predict.

David Parker and Ralph Stacey, Chaos, Management and Economics: the Implications of Non-Linear Thinking. Hobart Paper 125 (London: Institute of Economic Affairs, 1994).

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JUNE 3 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY JUNE 2 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	175.09	4.9	172.52	116.48	161.70	157.67	-3.6	3.49	174.65	171.21	115.65	149.96	157.51	189.15	130.16	135.77
Austria (17)	169.47	-6.4	166.96	112.74	146.83	146.36	-12.1	1.11	173.16	169.78	114.67	148.70	147.61	195.41	142.90	146.32
Belgium (36)	164.96	1.4	162.54	109.74	142.92	139.41	-3.9	3.95	168.60	165.27	111.83	144.76	141.32	176.67	141.92	144.43
Canada (106)	130.29	-4.0	128.38	86.66	112.88	130.48	0.2	2.80	130.22	127.66	86.37	111.80	130.57	145.31	121.46	127.69
Denmark (33)	247.01	-0.1	243.39	164.33	214.01	219.31	-4.0	1.34	248.21	243.32	164.63	213.11	218.89	275.79	207.58	214.35
Finland (23)	144.02	16.9	141.91	95.81	124.78	166.51	11.2	0.88	145.21	142.35	96.32	124.68	166.56	156.72	85.54	95.21
France (97)	166.93	-5.1	164.48	111.05	144.62	148.86	-8.7	3.03	165.51	162.25	109.78	142.11	146.41	185.37	149.60	155.44
Germany (58)	136.65	-2.6	134.64	90.91	118.39	118.39	-6.5	1.74	136.91	134.21	90.81	117.55	117.55	147.07	107.59	111.97
Hong Kong (56)	378.47	-22.8	372.92	251.76	327.91	375.50	-22.6	2.99	377.37	369.94	250.31	324.02	374.35	506.86	271.42	290.03
Ireland (14)	180.67	-2.5	178.02	120.20	156.54	173.24	-6.5	3.50	181.31	177.74	120.26	155.68	173.03	209.33	155.93	163.54
Italy (80)	85.80	25.1	84.54	57.06	74.33	103.75	18.3	1.52	87.05	85.33	57.74	74.74	103.85	87.78	57.88	70.38
Japan (469)	159.97	22.9	157.62	106.42	138.60	106.42	15.9	0.72	161.46	158.30	107.11	138.65	107.11	165.91	124.54	154.20
Malaysia (98)	448.90	-24.1	442.32	298.64	388.94	447.69	-27.1	1.80	443.90	435.15	294.43	381.14	441.93	621.63	312.51	342.16
Mexico (18)	2107.79	-11.7	2076.86	1402.24	1826.17	7651.10	-5.6	1.02	2097.74	2056.38	1391.38	1801.10	7628.10	2647.08	1431.17	1480.45
Netherland (26)	197.76	-0.7	194.86	131.56	171.34	168.47	-4.5	3.33	198.37	194.46	131.57	170.32	167.58	207.43	164.22	188.04
New Zealand (14)	70.67	4.1	69.63	47.02	61.23	63.12	-2.1	3.79	70.85	69.45	46.99	60.83	63.36	77.56	48.57	49.38
Norway (23)	189.16	5.3	186.38	125.84	163.88	165.29	1.0	1.78	191.74	187.96	127.16	164.63	188.28	206.42	150.61	158.95
Singapore (44)	340.33	-7.4	335.34	226.41	294.87	241.21	-11.5	1.76	341.78	335.04	226.69	293.45	241.53	378.92	242.46	260.13
South Africa (56)	268.81	0.5	264.86	178.83	232.89	279.96	11.8	2.23	265.60	260.36	176.18	226.04	278.65	280.26	175.93	198.42
Spain (42)	143.36	2.9	141.26	95.38	124.21	148.96	-1.3	4.07	142.83	140.01	94.73	122.63	147.51	155.79	118.33	130.44
Sweden (36)	217.07	10.5	213.89	144.41	188.07	253.20	4.5	1.58	216.57	212.30	143.65	185.95	251.77	231.35	183.85	182.74
Switzerland (47)	157.95	-1.4	155.63	105.08	136.84	138.51	-6.0	1.75	159.14	158.00	105.55	136.64	138.47	176.56	124.46	128.34
United Kingdom (205)	184.50	-10.0	181.78	122.74	159.85	181.79	-11.5	4.12	184.50	180.87	122.38	158.42	180.87	214.96	170.32	178.43
USA (518)	187.60	-1.2	184.84	124.80	162.53	187.60	-1.2	2.88	186.61	182.93	123.77	160.22	186.61	196.04	178.95	185.04
EUROPE (720)	163.69	-2.8	161.28	108.89	141.82	154.05	-6.7	3.03	163.95	160.72	108.75	140.77	153.20	178.58	141.58	146.56
Nordic (115)	205.51	8.4	202.49	136.72	178.05	206.25	3.1	1.44	205.91	201.86	136.58	178.80	207.89	220.60	155.82	169.12
Pacific Basin (750)	167.98	15.6	165.52	111.76	145.54	113.95	9.6	1.04	169.24	165.91	112.26	145.32	116.53	170.76	134.79	157.42
Euro-Pacific (1470)	166.04	7.1	163.60	110.46	143.86	131.37	2.3	1.85	166.89	163.60	110.69	143.29	131.45	170.78	141.98	152.86
North America (825)	184.04	-1.2	181.34	122.44	159.45	183.66	-1.1	2.85	183.11	179.50	121.45	157.21	182.74	192.73	178.67	181.48
Europe Ex. UK (515)	148.62	0.7	146.44	98.87	128.76	136.46	-3.6	2.38	149.01	146.07	98.83	127.93	135.66	157.47	122.37	126.80
Pacific Ex. Japan (281)	247.31	-15.5	243.69	164.53	214.28	221.67	-17.0	2.81	246.47	241.62	163.48	211.62	220.86	298.21	182.38	189.48
World Ex. US (1653)	167.28	8.4	164.83	111.29	144.93	134.72	2.2	1.87	169.04	164.72	111.45	144.28	134.78	172.51	142.94	153.22
World Ex. UK (1967)	171.85	4.9	169.35	114.35	148.91	148.10	2.4	2.03	172.07	168.68	114.13	147.74	147.51	175.58	153.22	161.35
World Ex. So. Af. (2113)	172.44	3.6	169.91	114.72	149.40	150.29	0.8	2.22	172.64	169.23	114.51	148.23	160.06	178.56	155.00	162.75
World Ex. Japan (1703)	182.06	-3.0	179.41	121.13	157.78	176.81	-4.4	2.88	181.60	178.02	120.45	155.92	175.91	195.20	165.72	169.46
The World Index (2172)	173.02	3.5	170.48	115.10	149.90	151.27	0.9	2.22	173.19	169.78	114.67	149.70	151.03	178.97	155.17	162.97

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 [illegible] Constituent change with effect [illegible] Constituent changes during week ending [illegible] Pinault-Printemps La Redoute (France).

The Emerging Investor / Stephen Fidler

Privatisation is a big issue for Colombia

If the active investors in Colombia's stock market had their way, Mr Andres Pastrana would probably be the country's next president.

Mr Pastrana, the Conservative candidate, polled about 20,000 votes less than his rival from the governing Liberal Party, Mr Ernesto Samper, in the first round of the presidential election on May 29.

Because neither managed to garner more than half the vote, the two face a run-off on June 19.

Although President Cesar Gaviria is a Liberal and his government was responsible for the economic modernisation programme which has opened the country to foreign trade and investment, many investors suspect Mr Samper would backtrack on some of Mr Gaviria's policies, or at least not push ahead with them.

"Basically, the market thinks that Samper would stop privatisation and Pastrana would go ahead with it," said one financier in Bogota.

His pledges to raise the minimum wage and to try to ensure that benefits spread to the poor "may be commendable but may not send the right signals to foreign investors," said Mr Geoffrey Dennis, chief emerging market economist at Bear Stearns in New York.

"My guess is that the market would probably prefer Pastrana to win, but we're really talking about shades of grey here, not black and white."

From the stock market perspective, privatisation is important, although the Colombian government was never as big a stakeholder in industry as other Latin American governments.

There is a large unfulfilled potential demand among international investors for Colombian shares, and privatisation offers the possibility of expanding the traded float.

Ten best performing stocks

Stock	Country	3/6/94 $ close	Week on week change $	%
Light Servicos De Eletricade	Brazil	0.2472	0.0466	23.22
United Microelectronics	Taiwan	4.1732	0.7001	20.18
Tatung	Taiwan	2.6221	0.3498	15.39
Teco	Taiwan	2.7698	0.3497	14.45
Aygaz	Turkey	0.2263	0.0275	13.85
Ege Biracilik	Turkey	2.0489	0.2447	13.56
Bagfas	Turkey	0.1804	0.0214	13.46
Alarko Holding	Turkey	0.6881	0.0765	12.50
Michaniki	Greece	40.8663	4.2092	11.48
Koc holding	Turkey	0.5046	0.0459	10.00

Source: Baring Securities

A majority of the $18bn market capitalisation never trades, because the families and other groups which run the companies keep a tight grip on their shares so as not to lose control of their companies. Of the 176 companies listed on the exchanges of Bogota, Cali and Medellin, only about 20 trade in any volume.

The unwillingness by family groups to cede control is a phenomenon impeding stock market development in many Latin American economies. But it is especially important in Colombia because of a rule that gives holders of 30 per cent of a company veto power over decisions.

These groups are, if anything, attempting to tighten their control on their companies, said Mr Mauricio Botero, a partner in Corredores Asociados, the biggest stock broker in Colombia.

The overhang in demand may, however, help to explain the relatively modest declines of the Colombian market compared to the rout in emerging markets earlier this year. Last week the market was only about 4 per cent off its March all-time high.

As a further indication of the demand, "out of the $2.3bn of approved foreign investment in shares, only about $350m has been invested," said Mr Roberto Santa Maria of the Bogota Stock Exchange, which claims about half of the country's equity trading.

Cementos Lima is Peru's first OTC offer

Peru's first ever over-the-counter primary offering is scheduled for June 15, when the state's 39 per cent stake in Cementos Lima, the cement producer, will be offered simultaneously in New York and Lima, *writes Sally Bowen in Lima.*

The allocation will be by Dutch auction and the reference price is expected to be about $200 for each of the 308,843 voting shares on offer. Lead managing the issue is Bankers Trust/Peruval, with Bankers, Baring, Bear Stearns and JP Morgan Securities handling the New York end, where the offer will be restricted to qualified institutional buyers. Lima brokers may register to participate on auction day, but will be required to deposit letters of guarantee for 97 per cent of their bid. Amounts are likely to be much higher than they usually handle.

Cementos Lima is Peru's leading cement producer with more than 40 per cent of the domestic market.

Foreign investors must register with the government, a measure intended to prevent drugs traffickers using front companies to bring back money into the country's stock market.

When Cementos Diamante decided to take advantage of this foreign demand a few weeks ago, it issued not common stock but the presumably less attractive non-voting preferred stock in the form of American Depositary Receipts.

Even so, such is the rarity of Colombian paper – it was only the third ADR issue by a Colombian company and the first from a non-financial enterprise – it was still heavily oversubscribed.

More ADR issues are likely. Carulla, the supermarket group, is could make an issue of perhaps $30m. Banco de Colombia and Banco Ganadero are expected to launch issues and the latter may be the first Colombian company listed on the New York Stock Exchange. Banco de Bogota is also said to be considering an ADR offering.

Privetisation could further add to the float. With its popularity high, the government is no lame duck and it is widely expected to move ahead on some privetisations. These could include Banco Popular and other government shareholdings such as Promigas, the gas transportation company, now part of the Ecopetrol state energy company.

Mr Paul Weiss of Corredores said that all should be privatised through the stock exchange and listed, and "should make a sizeable difference to the market". Yet even these may be taken over by big private groups.

Stockbrokers would like the government to force companies to consolidate their balance sheets, although some companies, such as Cementos Diamante, already do.

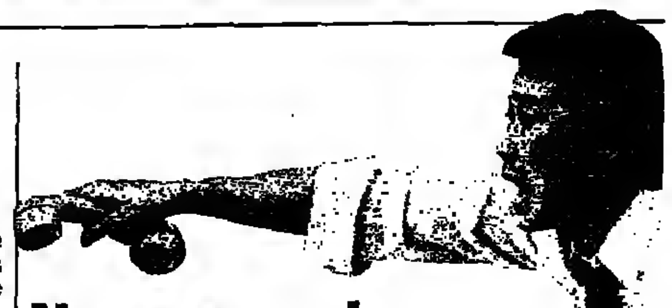
To the chagrin of international investors, this is not done at the moment resulting in higher p/e ratios than would otherwise be the case. The market is about 24 compared to an estimated 16 if accounts were consolidated.

Foreign investors have been allowed into the market since late 1991, but they are not the only new force. There is substantial competition among the managers of the newly-allowed private pension funds.

The system is voluntary but in two months, 160,000 people have signed up, an estimated 5 per cent of the market dominated by the state-run Institute of Social Security. "In the long-term the pension funds are going to be very important institutions in this market," said Mr Weiss.

Nonetheless, this will merely accentuate the lack of a large float of Colombian equities which can be traded. Mr Santa Maria believes that over time Colombian companies will begin to see edvantages in "sharing some of the risks of ownership with others".

In the mean time, he is clearly frustrated that when companies do raise new equity, many of them prefer to do it in the US or international markets.



News round-up

South Africa

South Africa is to be included in the IFC's global index of emerging markets in the next few months, with a weighting of 13 per cent.

Justine Roberts of SG Warburg said that a 13 per cent weighting implied considerable inflows of foreign money. With estimates of holdings by foreign investors in emerging markets globally put between $50bn to $160bn, the potential inflows to South Africa could be anything from $6.5bn to $21bn, he added.

Even including last year's $650m of purchases, the implication is that most emerging markets funds are seriously underweight [in South Africa] and many have no exposure at all".

● The IFC said that the Czech Republic will be added to the list by the end of the year.

Fund launch

A new open-ended fund for investment in India, Pakistan, Bangladesh and Sri Lanka is being launched by Regent Pacific, the Hong Kong-based financial services group. One of the features of the fund, said Mr Charles Lunsford, will be the ability to switch assets quickly from country to country. The initial launch values the fund at some $30m.

Mr Lunsford, in London last week, said that the countries included all had increasing political stability, had begun to make the shift from state to private enterprise and companies there had some of the cheapest p/e's with the Asian region, together with forecasts of good earnings growth.

Seoul

Foreign investment in South Korea during the first five months of the year rose by 60 per cent to $648m, the country's finance ministry said.

New foreign investment amounted to $436m, up from $125m, while fresh injection of investment into existing projects was $212m, down from $282m.

A ministry official said relaxing investment restrictions and a recovering economy were big reasons for the increase.

● Emerging markets coverage appears daily on the World Stock Markets page.

CURRENCY MARKETS Philip Gawith

Dollar stays focus of market attention

The initial concern for foreign exchanges this week will be whether the dollar can continue the rally prompted last Friday by the release of the May US labour market report.

The inflationary implications of falling unemployment and rising average hourly earnings, assisted by comments from senior US officials suggesting the dollar might be undervalued, helped the US currency to its highest level for a number of weeks. It closed in London at DM1.6665 and Y105.245.

Confusing the picture, however, was a fall in manufacturing jobs and hours worked which led some analysts to conclude that the report showed a moderation in the rate of US economic growth.

Much will depend on the performance of US bonds. A continued rally would be helpful but a elide in prices would weaken the currency. The April consumer credit numbers, to be released tomorrow, and the May producer price inflation figure, which emerges on Friday, will help the market make up its mind.

Also coming out on that day is the Bank of Japan's quarterly Tankan survey. Confirmation of continued economic weakness could presage a lowering of interest rates, which would help the dollar. But some observers think the survey will show that the economy is past the worst.

Trade framework talks between the US and Japan will continue this week. The focus will be the telecommunications and medical equipment sectors. Progress in these talks would support the dollar.

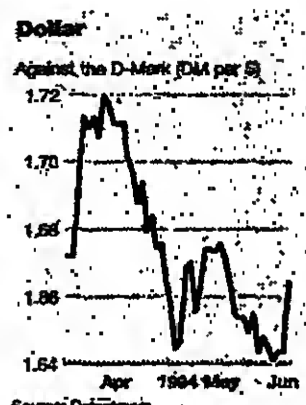
In Europe, meanwhile, markets will be keeping a watchful eye on the outcome of the European elections, with countries voting on Thursday and Sunday. In Germany, Chancellor Kohl also faces municipal elections in seven states. A severe rebuff would probably weaken the D-Mark, but recent polls show his support rising so markets will be less concerned about the prospect of a change in government.

Another politician anxiously facing the electorate is Mr John Major, the British prime minister. A very poor result for the ruling Tory party is widely discounted, but a third place finish would certainly reignite discussion of a leadership challenge in the spring.

The political uncertainty this would provoke needs to be set against the view that any change in premier would be market positive. Results will only emerge on Sunday and Monday, bnt markets will doubtless have earlier exit poll information to chew on.

The market is expecting poor March trade figures when they are released on Friday, and this will undermine sterling. UK output data, however, should confirm that another fall in interest rates is unlikely.

Dollar



Source: Datastream

Baring Securities emerging markets indices

Index	3/6/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (264)	157.36	-0.54	-0.34	6.13	4.06	-11.05	-6.56
Latin America							
Argentina (19)	114.87	-1.89	-1.62	10.51	10.07	-0.51	-0.44
Brazil (21)	147.40	0.60	0.41	2.10	1.45	7.75	5.55
Chile (12)	188.76	3.19	1.74	19.77	11.84	39.22	26.59
Mexico (24)	144.73	-0.29	-0.20	11.25	8.43	-16.54	-10.26
Latin America (76)	146.80	-0.08	-0.06	9.74	7.11	-2.45	-1.64
Europe							
Greece (14)	81.49	1.76	2.20	-11.82	-12.68	-1.60	-1.92
Portugal (14)	109.56	-2.45	-2.19	-14.61	-11.77	-2.57	-2.29
Turkey (22)	60.82	-0.12	-0.20	12.54	25.92	-100.79	-62.33
Europe (50)	89.76	-0.46	-0.51	-8.21	-8.38	-22.48	-20.03
Asia							
Indonesia (20)	149.44	-6.44	-4.13	9.20	6.58	-21.60	-12.63
Korea (23)	128.68	-1.56	-1.20	1.94	1.53	18.98	17.30
Malaysia (22)	205.33	-5.73	-2.72	-7.08	-3.33	-47.72	-18.86
Pakistan (10)	105.24	1.43	1.38	-8.35	-7.35	-6.45	-5.78
Philippines (11)	295.13	5.18	1.79	13.07	4.63	-27.35	-8.48
Thailand (22)	226.77	-5.64	-2.43	18.87	9.08	-36.79	-13.96
Taiwan (30)	149.08	5.52	3.85	1.75	1.19	-4.62	-3.01
Asia (138)	196.46	-1.82	-0.92	2.92	1.51	-24.95	-11.27

All indices in $ terms, January 7th 1993=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 3, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2585.57	1705.15	1028.2	1620.19
Albania	(Lek)	150.89	100.128	60.0621	95.1373
Algeria	(Dinar)	56.2396	37.3766	22.4295	35.5151
Andorra	(Fr Fr)	8.5333	5.6847	3.4112	5.4015
	(Sp Peseta)	206.356	137.15	82.2967	130.316
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	14.9144	9.9125	5.9461	9.4186
Germany	(D-Mark)	2.5074	1.6664	1	1.5834
Ghana	(Cedi)	1390.50	924.165	554.559	878.115
Gibraltar	(Gib £)	1.00	0.6646	0.3988	0.6316
Greece	(Drachma)	375.172	249.35	149.626	236.926
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	46.0700	30.6194	18.3739	29.0837
Panama	(Balboa)	1.5046	1	0.6	0.9501
Papua New Guinea	(Kina)	1.4219	0.945	0.567	0.8979
Paraguay	(Guarani)	2708.86	1800.27	1080.28	1710.57
Peru	(New Sol)	3.2914	2.1875	1.3128	2.0786
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights June 2, 1994 United Kingdom £0.934354 United States $1.41592 Germany DM N/A Japan Y147.879 European Currency Unit Rates June 3, 1994 United Kingdom £0.771858 United States $1.16260 Germany DM1.90932 Japan Y122.411

Abbreviations: [illegible] Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 834 4380/5.
Friday, June 3, 1994

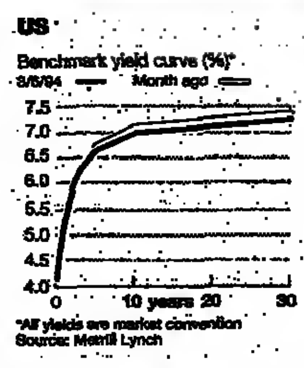
WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins

US bond prices proved more resilient than the European capital markets which were battered by fears of rising inflation last week. The Treasury's benchmark 30-year bond ended the week a point higher than it began it after the market took an optimistic view of mixed signals from Friday's employment data.

If US bond prices are more stable than European ones, it is because they have suffered months of downward pressure. This was caused by fears that the US economy was growing too quickly, culminating in last month's half-point increase in interest rates. Now, they are looking for a fresh direction.

This may not be the week in which they get it. Although data for instalment credit and capital spending are due out tomorrow and Thursday respectively, the figures that will be most closely watched are those for the May producer price index, due out on Friday. But economists predict that,



after the 0.1 per cent decline in April, the index will be barely changed.

If so, that would be taken as a sign that inflationary pressures further back in the supply chain remain absent. Even so, stripping out the more volatile prices of food and energy, the index for finished goods may have risen by 0.3 per cent.

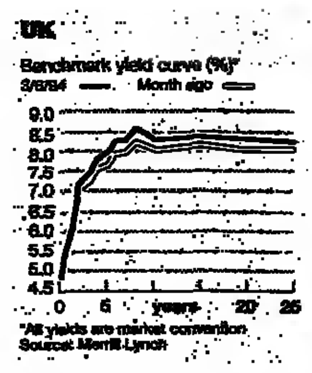
If the figure is higher than that, it could be a cause for alarm.

LONDON — Philip Coggan

The gilt market remains nervous and volatile and there is little in the economic diary this week to suggest scope for a sudden rally.

Inflation fears were not helped by last week's M0 numbers, although the market bounced back on Thursday and Friday, indicating that there are bond buyers when long yields start approaching 9 per cent. According to Mr Peter Fellner, gilt strategist at NatWest Markets, "the markets need a period of relative calm and stability so people can regain their composure".

Wednesday's meeting of the chancellor of the exchequer, Mr Kenneth Clarke and the governor of the Bank of England, Mr Eddie George, is not expected to result in any immediate change in the level of interest rates. However, Mr David Walton, UK economist at Goldman Sachs, thinks that the governor may use the meeting to try to steer the chancellor away from the



previous "bias towards easing" and towards a more neutral stance.

With only industrial production and consumer credit figures out this week, politics may be a key factor. Results of the European elections will not be revealed until Sunday, but exit polls should be available.

"If the political news is bad for the Conservatives, that might be an excuse for a sell off," said Mr Fellner.

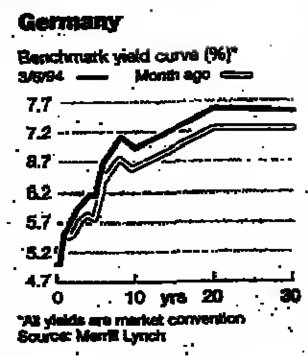
FRANKFURT — David Waller

Gross domestic product figures for western Germany (due tomorrow) are unlikely to cheer the bund market. The consensus is that GDP will grow by 0.5 per cent on the fourth quarter of last year, suggesting the economy is well and truly on the recovery track. The year-on-year growth would be 1.5 per cent.

The stronger the economy, the greater the fear that the Bundesbank will respond to the inflationary threat with a tightening of monetary policy.

This scenario may seem unlikely to domestic observers who believe short-term interest rates will fall further. But foreign investors, who have been disconcerted by Germany's ballooning money supply and whose selling has inspired the sharp rise in bund yields in recent months, may seize upon the GDP figures as another excuse for selling.

April's retail figures, on the other hand, may encourage the market: they are expected



to be sharply down from March. This may be due to seasonal factors but will underscore that the German recovery is export-led and not driven by domestic growth.

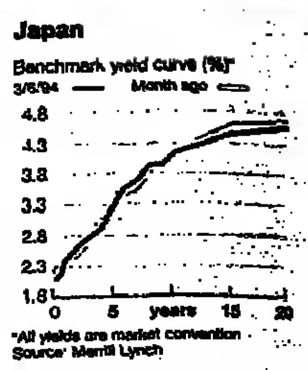
The Bundesbank policy-making council meets on Thursday. No rate cut is expected but the market will study statements by council members before or after the meeting for evidence of disagreements on how to deal with money supply growth.

TOKYO — Emiko Terazono

A strong stock market performance and better-than-expected economic data has drawn some investors from bonds and caused a sell-off. Late Friday sales dragged government bond futures down for the sixth day in a row and cash government bonds also remained under pressure.

There is some indication the Japanese economy is on the mend, but bond market sentiment remains bearish. Traders and analysts are looking for direction from the Bank of Japan's June 10 announcement of the Tankan index of business sentiment, a quarterly survey of 7,400 companies.

The biggest news last week was Mitsubishi Corporation's blow-out sale of Y200bn in 5-year maturity AA-rated bonds in less than two hours. According to a spokesman at Morgan Stanley, one of 16 dealers that handled the offering, the Mitsubishi offering was more than just



a big bond sale. Mitsubishi's plan was to create a secondary market for the bonds issued. In the past, the 5-year market was the exclusive domain of long-term credit banks. So well established was the market that the long-term prime rate was set simply by adding 90 basis points to bank debenture coupons.

Mitsubishi hopes it has created an equally liquid vehicle to meet its own future financing needs.

Capital & Credit / Peter John

Canada suffers in spite of itself

Investing in a country with almost no inflation, a healthy trade surplus and one of the highest returns in the world should be a one-way bet. But if the country is Canada, you bail out as fast as you can.

Canada has suffered in spite of itself – to the dismay of Traasury managers in the Canadian provinces, which are among the biggest borrowers in the Eurobond market, and to the bemusement of City economists. As one investment banker puts it: "Investors in the Canadian market have lost on the currency, lost on the spread and been killed in the bond market."

At end-1991, the Canadian dollar was C$1.12 against the US currency. By last January it had fallen to C$1.31 and late last week was $1.3850, a near eight-year low.

At the long end of the Canadian government bond yield curve, spreads against US Treasury bonds have widened dramatically in recent months. Wild volatility in the markets has pushed the yield on Canadian 10-year government bonds as far as 168 basis points above Treasuries compared to a low of 63 basis points in February. Spreads on debt issued by the provinces are even wider.

Also, the yield on the Canadian benchmark government bond maturing in 2004 has risen by 166 basis points to 8.8 per cent compared to a rise of 140 basis points for the equivalent UK government bond yield over the same period.

All this turmoil comes at a time when, in some respects, Canada has never had it so good. According to Mr Randall Powley, sanior economist at ScotiaMcLeod, brokers, the purchasing power parity of the Canadian dollar is 13 per cent better than tha current exchange rate would suggest. Headline inflation was 0.2 per cent in April, and real rates of investment return are the highest in the Group of Seven industrialised countries. Ha cites 8 per cent bonds maturing in 2023 as offering a real return of 8.79 per cent. "Clearly the spreads have widened but it has nothing to do with fundamentals," he says.

The Canadian government is sufficiently concerned by the negative attitude towards the currency that on Friday it is expected to publish its own estimate of the Canadian dollar's purchasing power parity for the first time.

To understand the market's worries, one has to go back to the national budget in February. The newly-elected Liberal party upaat international investors by estimating the deficit for fiscal 1993 at C$45.7bn against the previous government's forecast of a C$32.6bn deficit.

Disappointment turned to concern as the drive for separatism in Quebec snowballed. A recent visit to France by Lucien Bouchard, the leader of the federal Bloc Quebecois, focused the attention of European investors on the possibility of a split. Opinion polls show the regional Parti Quebecois (PQ) as most likely to win the provincial elections later this year and then call a referendum on secession in May next year.

Many international economists believe a win for the PQ will be merely a reaction against the governing Liberals and that secession is improbable. But tha uncertainty has caused the spread on Quebec's bonds to widen recently.

"If Quebec has to borrow in the markets it will cost a lot more money," says one syndicate manager. "Spreads have widened by 10 to 15 basis points in the past week. When you translate that into dollars and cents, for an extra 10 basis points each $100m borrowed costs $100,000. The additional annual interest payment on $500m is between $500,000 and $750,000."

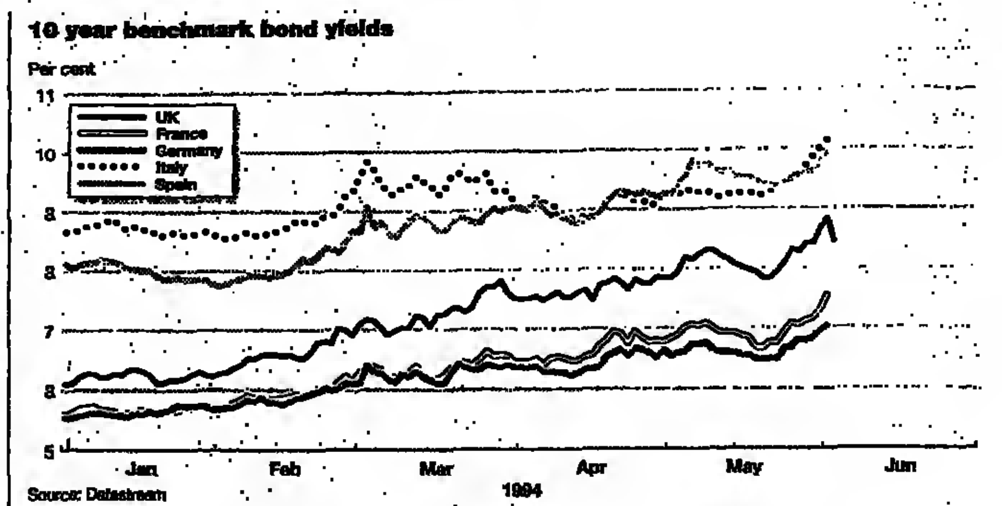
The fact that 40 per cent of Canada's debt is held by foreign investors has exposed it to sudden changes in investment strategies. Late last year, international investors had bought Canadian bonds in the hope that the yield spread with US Treasuries would narrow. "However, in bear markets, credit spreads always widen out," says Mr Powley.

In spite of the assault on their bonds, the provinces' Treasury managers are keeping their cool. Mr John Madden, deputy finance minister for Canada's biggest province, Ontario, says he has no funding worries. "It has been a volatile market but we issue in various markets around tha world," he says, noting that the yen market has been the most attractive lately. "We have a borrowing requirement of C$7.7bn and expect to preborrow a further C$2bn to C$3bn for next year."

The Quebec Treasury is confident. It has raised C$1.5bn of its C$4.2bn programme for the year and says a further C$2.7bn will come from sources other than public bond issues. "Of course funding is more expensive than three months ago but we are not concerned," says a senior Treasury official.

Many economists argua that Canada has been treated too harshly by the markets and by the credit rating agencies which have downgraded the foreign-currency ratings of the sovereign and some of the provinces. Recent research on the Canadian provinces by Salomon Brothers says: "Provincial credit is stabilising: in some cases it is improving from the fiscal deterioration of the past three years."

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.50	1.75	4.50	6.75[1]	7.00	5.25[2]
Overnight	4.13	2.00	5.13	5.43	7.50	4.75
Three month	4.23	2.09	5.00	5.50	7.62	5.00
One year	5.24	2.46	5.18	5.75	8.10	5.87
Five year	6.60	3.42	6.22	6.74	9.96	7.84
Ten year	6.98	4.12	6.92	7.34	10.17	8.28

[1] France-Repo rate. [2] UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103-23	105-24	+1-02	105-30	104-00	25,529	166,378
Sep	103-26	104-26	+1-02	105-00	103-01	279,318	240,520
Dec	103-04	104-05	+1-02	104-09	102-13	1,644	35,408

CONTRACTS & TENDERS

Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.00	10.75	10.75
0100	9.62	10.60	10.50
0130	9.61	10.50	10.50
0200	9.61	10.80	10.80
0230	9.61	10.80	10.80
0300	9.61	10.80	10.80
0330	9.61	10.50	10.60
0400	9.61	10.80	10.50
0430	9.61	10.60	10.50
0500	9.60	10.50	10.50
0530	9.58	10.75	10.70
0600	9.58	10.75	10.70
0630	9.62	10.75	10.70
0700	9.62	10.75	10.70
0730	10.70	10.75	10.75
0800	10.76	10.90	10.90
0830	11.68	10.67	10.67
0900	11.66	10.91	13.86
0930	15.20	10.97	13.92
1000	23.71	18.04	20.99
1030	22.07	12.38	15.52
1100	28.81	19.38	22.93
1130	28.91	20.76	23.70
1200	35.71	20.76	23.70
1230	35.71	26.50	29.45
1300	35.71	26.50	29.45
1330	28.81	19.38	22.93
1400	23.71	18.04	20.99
1430	18.87	10.97	13.92
1500	16.98	10.97	13.92
1530	11.65	10.91	13.86
1600	11.65	10.95	10.95
1630	11.68	10.90	10.90
1700	11.66	10.91	13.86
1730	16.98	10.97	13.92
1800	16.98	10.97	13.92
1830	16.98	10.97	13.92
1900	16.98	10.97	13.92
1930	32.83	10.97	13.92
2000	32.83	10.97	13.92
2030	16.98	10.97	13.92
2100	16.98	11.18	14.13
2130	30.43	26.50	29.45
2200	39.65	26.50	29.45
2230	39.65	22.58	25.52
2300	39.65	21.32	24.27
2330	15.20	10.97	13.92
2400	11.68	10.85	10.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.664/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.70	10.75	10.70
0100	9.63	10.70	10.70
0130	9.64	10.50	10.60
0200	9.64	10.75	10.75
0230	9.63	10.75	10.70
0300	9.63	10.75	10.75
0330	9.63	10.75	10.70
0400	9.63	10.70	10.70
0430	9.63	10.70	10.70
0500	9.64	10.70	10.75
0530	10.65	10.75	10.75
0600	10.75	10.75	10.75
0630	9.63	13.07	13.07
0700	21.64	11.20	11.20
0730	23.74	25.27	28.56
0800	24.62	24.27	27.58
0830	25.20	23.55	26.65
0900	29.06	24.29	27.60
0930	30.16	24.51	27.62
1000	31.05	25.33	28.65
1030	31.62	25.34	28.65
1100	37.46	25.35	28.67
1130	40.13	25.37	28.69
1200	52.62	25.38	28.70
1230	51.43	25.35	28.67
1300	47.67	25.32	28.63
1330	29.06	24.28	27.58
1400	26.67	24.27	27.57
1430	28.65	24.26	27.58
1500	25.67	23.64	26.84
1530	24.95	22.14	25.44
1600	25.13	22.16	25.44
1630	28.50	36.71	40.01
1700	30.70	36.72	40.01
1730	30.39	36.71	40.01
1800	27.31	25.06	28.36
1830	24.50	21.51	24.81
1900	26.52	20.88	24.17
1930	24.44	18.20	21.49
2000	23.76	17.56	20.86
2030	33.13	16.98	20.25
2100	33.13	17.55	20.85
2130	33.18	30.61	33.90
2200	33.13	30.61	33.90
2230	33.13	26.91	30.21
2300	21.64	26.91	30.21
2330	21.64	11.31	11.31
2400	26.65	11.05	11.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.664/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

International / Tracy Corrigan

ISMA conference settles on three days

While the mood at last week's annual meeting in New Orleans of the International Securities Market Association (ISMA) was slightly dampened by the continued turmoil in the world's bond markets, this year's difficult conditions had little impact on the turnout for the conference. Delegates numbered about 950, down from just over 1,000 at last year's gathering in Copenhagen.

More cynical Eurobond traders commented that they had not felt it necessary to stay at their desks and nurse their books because dealing in the Eurobond market had dried up as a result of the extreme volatility in the government bond market.

A new rule that delegates who fail to turn up to vote at the conference of international bond market participants will be reported to their firms also appeared to have a salutary effect on attendance in the conference hall.

The conference centred around the ISMA board's decision to change from the current standard of seven-day settlement to three-day settlement for international bonds, in spite of concerns voiced by representatives from the Belgian region about the impact of this change on retail investors.

Belgian retail investors have a strong preference for physical delivery of Eurobonds, largely for tax reasons. However, under the new standard, which will come into force in June 1995, a longer settlement period can still be agreed between counter-parties.

Although estimates about the size of the retail market are approximate, it is believed that as much as 10 per cent to 15 per cent of primary offerings may be placed with retail investors. However, the retail component of secondary market turnover is much lower – certainly less than 1 per cent, according to Cedel, the European clearing house which clears the bulk of retail trading business.

The debate raised an important disclosure issue.

Mr Alain Servais, of Belgian broking firm Dewaay, Servais & Cie complained that the documentation of some new issues did not clearly state that bonds would not be available in physical form, and suggested that ISMA should publicise problems with individual issues.

Mr John Langton, ISMA's chief executive, said the association was looking at the legal implications of such a step. Guidance from the International Primary Market Association (IPMA) – which sets out rules for new issues, but has no regulatory authority – is expected in the next few weeks, it said.

ISMA continues to monitor the dispute over whether holders of a News Corp subsidiary's issue of preference shares, convertible into Pearson shares, would also receive Royal Doulton shares, according to Mr Willy Watt, who heads ISMA's market practices committee.

The conferenca was also enlivened by a strong panel of speakers, including veteran Wall Straat trader Mr Alan "Ace" Greenberg, president of Bear Stearns, the Wall Street securities firm.

According to Mr Greenberg, the firm has found a novel way of tackling the problem of losses on darivatives as a result of traders failing to report positions accurately: rewarding staff for shopping their colleagues.

Mr Greenberg dispatched one of his famous memos last September. "Investment banking firms have been plagued over the years by traders mis-marking positions and we have not been spared."

The memo set out a new policy for dealing with the problem: "We will give 5 per cent [of its value] to anyone alerting us to a mis-mark. All suspicions will be treated confidentially."

The memo added: "We would frown upon the tatler sharing the reward with the mis-marker."

In April, a second memo, further refining the procesa, appeared. It specified that "in no case will the reward exceed $1m". The limit is designed, according to Mr Greenberg, to discourage any delay in reporting by a trader hoping that the size of the mis-mark – and thus of the reward – will increase further.

According to Mr Greenberg, in tha last two months, Bear Stearns has paid two cheques to traders who reported lapses, the largest for $65,000.

In both cases, traders shopped their bosses, whose jobs they have since been appointed to. Mr Greenbarg described such promotions as an "added incentive. This may seem brutal [but] wa are engaged in a war".

Mr Greenberg told the conference that the new system was working, and recommended its introdoction at other firms.

He suggested that existing difficulties in ensuring that traders report losses have been exacerbated by the growth of the derivatives market, where the value of positions is much more difficult to calculate. Bear Stearns is well known for its aggressive stance on this issue: it has spies on every trading floor.

Mr José Angel Gurria, head of international affairs for Mexico's Partido Revolucionario Instituciona (PRI) and well known to international bankers for leading Mexico's successful foreign dabt restructuring, sought to reassure traders that, in spita of the turmoil earlier this year, Mexico is still an attractive investment.

He expressed confidence that a "squeaky clean and transparent" election was the only remaining barrier to an upgrade for Mexico's debt to investment grade. "The fundamentals for an investment grade rating are there. Our fixed-rate bond issues now reflact interest rates lower than for a non-investment grade country – but higher than if we already had the investment grade rating," he said.

However, he added that the main incentive for gaining an investmant grade rating was access to a broader investment base, including fund managers who are not allowed to buy sub-investment grade debt. "Access is the prime consideration, not cost, although access will be translated into cost savings," said Mr Gurria.

Finally, former US president George Bush met an enthusiastic reception from an audience only slightly less welcoming than for former UK prime minister Margaret Thatcher, who spoka at ISMA's Munich conference two years ago.

NEW INTERNATIONAL BOND ISSUES

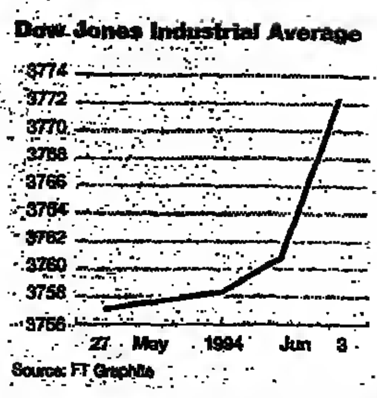
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
LCAT 1994-1, Class A1(a)‡	600	Nov.2001	(b)	100.50	-	-	Lehman Brothers Intl.
LCAT 1994-1, Class A2(a)‡	300	Nov.2001	(b)	100.50	-	-	Lehman Brothers Intl.
Export Fin. & Insurance Corp.	250	Jul.1997	6.50	99.86R	6.629	+20 (6½%-97)	IBJ International
ABB Finance	200	Jan.1997	6.50	99.64R	6.636	+16 (6½%-97)	Goldman Sachs Intl.
LB Schleswig-Holstein	200	Jul.1997	6.625	99.897R	6.664	+20 (6½%-97)	BZW
Council of Europe	150	Jan.1998	6.80	99.86R	6.186	+6 (5⅞%-98)	IBJ Intl/ UBS
JP Morgan & Co.	300	Jun.1997	6.50	99.86R	5.545	+11 (6½%-97)	JP Morgan/M.Stanley
Deutsche Bank Finance	200	Jul.1996	6.125	99.93R	6.163	+5 (7¼%-96)	Deutsche Bank London
Hyundai Intl.Merchant Bank(j)‡	50	Jun.1999	(f)	100.00	-	-	KEB International
Krung Thai Bank‡(m)	100	Jul.1999	(m)	100	-	-	Chemical Secs. Asia
Aokam§(l)	135	Jun.2004	3.50	100	-	-	Robert Fleming & Co.
YEN							
Mitsubishi Estate Co.(c)	35bn	Sep.2000	3.85	100.28R	-	-	Nikko Europe
Mitsubishi Estate Co.(c)	20bn	Sep.2002	4.00	100.275R	-	-	Yamaichi Intl.(Europe)
Morgan Stanley Group(e,d)	20bn	Oct.1999	4.00	100.00	-	-	Morgan Stanley Intl.
Südwestdeutsche L'bank(g)	20bn	Jan.1998	3.125	99.665R	-	-	CS First Boston
PCBC‡	15bn	Jul.2001	(i)	100.00R	-	-	IBJ Asia
FRENCH FRANCS							
Cie Bancaire(k)	1.4bn	Dec.1995	5.75	99.30R	6.181	-	CNCA
STERLING							
Abbey Natl.Treasury Services‡	100	Jun.1999	(f)	100.00R	-	-	SG Warburg Securities
CANADIAN DOLLARS							
Rabobank Nederland	100	Jan.1997	8.00	99.83R	8.066	+10 (a)	Daiwa Europe
Province of Manitoba	150	Jul.1996	8.00	99.675R	8.183	+20 (7¼%-96)	Wood Gundy
Gen.Elec.Capital Canada	100	Dec.1999	8.625	99.55R	8.711	+19 (7¾%-99)	Wood Gundy
ITALIAN LIRE							
San Paolo di Torino(j)	300bn	Jun.2004	10.40	100	10.40	-	Bc.San Paolo di Torino
AUSTRALIAN DOLLARS							
Gen.Elec.Capital Australia	75	Jul.1997	7.75	100.865	7.410	-	BZW
SWISS FRANCS							
Südwestdeutsche LB, (c)★	100	Feb.1997	5.125	102.00	-	-	Merrill Lynch Cap.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ★Unlisted or private placement. R: fixed re-offer price. a) Lehman Card Account Trust. Average life: 4.47, 4.24 & 4.38 yrs for tranches A1, A2 and subordinated certificates ($25m nominal) respectively. b) Priced this week. c) Short 1st coupon. d) 3-mth Libor +⅛% for 1st 3 mths. e) Long 1st coupon. f) 3-mth Libor +⅛%; min 8%. g) Over interpolated yield. h) Puttable in Jun.97 at par. i) 6-mth Libor +45bp. j) There is an option to switch to FRN's at 6 month Libor + 50bp on 30/6/99. k) Fungible with existing 1bn issue. Actual coupon 5.625% over whole 18 month life. l) Conversion premium 15.6% over the close and 3% over the 5 day average. Forex 2.69m. m) Coupon pays 6 month Libor + 0.375%. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK Frank McGurty

Focus likely to remain on commodities



Source: FT Graphite

Last Friday's employment report, the most closely scrutinised economic data of the month, was supposed to clear the air and establish a fresh direction for equities. In the event, the numbers had the opposite effect, exacerbating the sense of confusion on Wall Street about the economy's strength and the implications for interest rates and corporate profits.

If uncertainty was a force driving *down* share prices for most of the spring, it has held stocks in a state of near-paralysis more recently. Last week, *the bellwether Dow Jones* Industrial average opened at 3,758.37 and closed *at* 3,772.22, for a net gain of only 14 points.

No sharp movements are expected this week, though a negative bias is likely to settle over stocks until the next important economic data – industrial production and capacity utilisation figures – are released in a fortnight.

Friday was a *topsy-turvy day on* Wall Street. Initially, the May jobs report appeared to be highly *favourable for stocks. The headline* figure – an increase in non-farm payrolls of 191,000 – was much *weaker than analysts had thought.* Bond prices jumped and share prices seemed sure to follow when trading began, because the weak number could delay for months the next move by the Federal Reserve to tighter money.

However, investors gulped when they read past the first line. The Labor Department had made a big upward revision in its initial estimates of April and March payrolls. "If anything, when you include the revisions, job creation was somewhat stronger than we had thought," says Mr Hugh Johnson, chief investment officer at First Albany in New York.

A surprising drop in the monthly unemployment rate, from 6.4 to 6.0 *per cent*, was even *more* disturbing; 6.0 per cent is considered by many economists to be in effect "full employment", at which point upward pressure on wages would intensify. Indeed, the May report showed a slight gain in hourly earnings, which suggested wage inflation had started last month.

"To put it into simple terms, it looks as if conditions in the labour markets are *starting to tighten up*," says Mr Johnson. "That means the Fed may need to raise rates again *to cool the economy*."

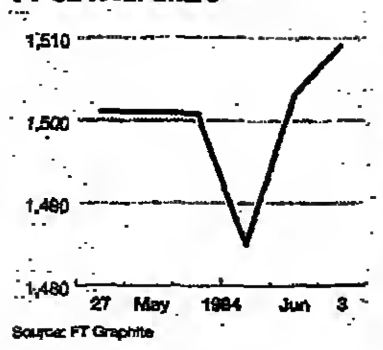
What, then, is the explanation for the mood swing that swept the *markets as Friday's session* progressed, lifting share prices amid a bond rally? Commodity prices, to *cite one of several unconvincing* explanations, showed further declines, in keeping with a pattern that helped support share prices last week.

Wall Street will continue to focus on commodities this week, but their recent volatility leaves in doubt the likely impact on stocks.

Meanwhile, investors are looking ahead to this Friday's producer price data and the consumer numbers, due next Monday. The data are expected to reveal that inflation remains subdued, but such confirmation is unlikely to impress investors.

LONDON Terry Byland

A whiff of short-term optimism



Source: FT Graphite

About the only people smiling in the London stock market last week were the equity chartists who looked *with quiet satisfaction as share prices* collapsed and then with bored disdain when they rallied. But the chartists are not the only players in the market. There are now clear signs that some equity market participants are at least willing to take a more optimistic view on the prospects for a *market recovery, albeit for the short* term.

The optimists may need to rein in their confidence a little. There cannot be too much reason for celebration while tha June future contract on the Footsie, which did so much to drive the stock market ahead in its glory days, prefers to remain at a discount to the underlying equities. And it was the *futures market* that *saw the business* when the market rallied; trading volume in equities proper remained as *unimpressive* on the *uptick as* it had been on the way down. Any upset in Frankfurt or New York bond *markets found a swift* reaction in UK stock futures and then in share prices.

It has become *clear that* tha *hike* in key interest rates hy the Federal Reserve has not resulted in tha calmer global bond markets regarded as the platform for a genuine recovery in UK equities. Both S. G. Warburg and Strauss Turnbull draw attention to the impact on valuations of the equities in the wake of the latest sell-off, Warburg commenting that the failure of equities to yield any premium over index-linked gilts "must be the cause of some concern". The yield relative on conventional gilts has risen to 2.28, around the highest level since 1992.

Until gilts settle down – and that requires similar moves in German and US bonds – UK equities must *remain highly volatile and chances* of a genuine recovery in jeopardy.

Last week's bounce has seot investors searching for *stocks likely* to outperform in any recovery. The leisure sector in general has underperformed hut traditionally responds to earnings momentum. Smith New Court, using a *technique* of seeking oot shares oo which market expectations and analysts' *views are changing, has put the tape* over leisure and hotel shares.

Smith has rated the FT-SE 100 *stocks from* 1 to *100 in terms of* changes in market share earnings estimates over the past three months – *100* being *top of the list. Rank* Organisation rates well at No 79 and Smith strengthens the case by *predicting* that there are further earnings upgrades ahead. Smith is prepared to overlook the recently strong outperformance in the stock.

When the same technique is applied, shares in Forte come off less favourahly with a rating of 50, although Smith says that analysts' share earnings estimates are trending slightly upwards. The shares have mildly (3 per cent) underperformed over three mooths so there is room for conjecture as to whether the estimates rating justifies the present share price or indicates that some recovery is due. Smith takes the more positive line.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	2,997.80	+1.1	+5.1	-12.3	3,520.30	2/2/94	2,814.10	21/7/93	3,520.30	2/2/94	2,931.90	1/6/94
Dow Jones Ind	3,772.22	+0.4	+6.4	+0.5	3,978.36	31/1/94	3,449.93	6/7/93	3,978.36	31/1/94	3,593.35	4/4/94
Nikkei	20,954.19	+0.9	-0.6	+20.3	21,148.11	13/9/93	16,078.71	29/11/93	21,053.11	1/6/94	17,369.74	4/1/94
Dax	2,148.39	+0.3	+31.8	-5.2	2,271.11	16/5/94	1,629.62	3/6/93	2,271.11	16/5/94	2,020.33	2/3/94
CAC 40	2,041.74	-0.4	+9.3	-10.2	2,355.93	2/2/94	1,859.69	4/6/93	2,355.93	2/2/94	1,979.68	1/6/94
Banca Comm Ital	736.36	+0.8	+36.3	+18.9	817.17	10/5/94	508.01	16/6/93	817.17	10/5/94	588.85	10/1/94

Source: FT Graphite

OTHER MARKETS

FRANKFURT

Results are due from two defensive *stocks, Henkel* in *household goods* on Monday and Gehe in pharmaceuticals on Wednesday. The Estimate Directory registers consensus forecasts of a fall of 3 per cent eacb in earnings per share for 1993 but looks for much bigger things from the *building and construction group*, Bilfinger & Berger, from which an earnings lift of 66 per cent is expected – although analysts are more circumspect about 1994. The average predictioo is an earnings rise of only 2 per cent

AMSTERDAM

First-quarter figures come from Amev, the insurance company, and Fortis, the financial services group, on Thursday. Hoare Govett estimates Amev's net income will rise 9 per cent to Fl 118m, and earnings per share 8 per cent to Fl 1.66. The hrokers say the consolidation of the Belgian banking and insurance group, *ASLK, for* the *first time will* have a large impact oo Fortis's net income.

MILAN

Today begins the last full week of the June account and investors will probably be holding back liquidity for the cash calls over the July and August accounts from Mediobanca and Ifil, and the privatisation of INA. Brokers expect volume to remain low and tha Comit index to trade between 700 and 750 over the summer.

HELSINKI

Finnish equities were lifted last week hy a 136 per cent jump in operating profits at Nokia, the electronics and industrial conglomerate. Traders are hoping that progress reports this week will extend the process: on Monday, from KOP, Finland's leading commercial bank; on Tuesday from Huhtamaki, the consumer products *combine; and* on *Friday from* Instrumeotarium, which divides into health care, optical retailing, catering equipment and electronics distribution.

TOKYO

Enthusiasm for last week's breakthrough, with the Nikkei 225 index clearing the 21,000 mark in high volume, receded slightly on Thursday and Friday and left sentiment nicely balanced. Most *traders* were *optimistic by the* weekend, but there was general agreement that domestic institutions and individual investors were far from ready to return to the market as net buyers.

RISK AND REWARD

Money managers see new asset class in raw materials

Any way you look at it, commodities nre bot. Key indlces of commodity prices have risen 3 per cent to 13 per cent this year, and price appreciatioo in some markets, such as coffee, cotton or copper, has outstripped *lagging valuations* in most government bond markets and many stock markets.

Although commodities are far less important to the economy than they used to be, they are suddeoly the focus of world financial markets. Tbey are *important as raw materials, the stuff* that economic expansions are built upon.

Since many commodities are traded in public futures markets, price increases show up more quickly, and more dramatically, than in other economic sectors. Statistics on employmeot gains or manufacturing orders tend to be reported with a lag, and are slow to exhibit coovincing trends.

The US Federal Reserve was clearly watching commodity prices as it lifted interest rates this spring, seeking price stability in its efforts to head off inflatioo. However, commodities, economists say, are not reliable barometers of the magnitude of an inflationary cycle, and historically have been only a semi-reliable indicator of inflation's direction.

In the first quarters of 1992 and of 1993, for example, prices of some physical commodities rose, but levelled a quarter later, and the US economy did not overbeat, as some observers bad feared. However, with prices for soft commodities and grains near benchmark highs and base metals turning higber after bumping along in a decade-long, supply-burdened trough, the signals are much stronger.

Several *important* inflation indices have begun a rare coovergence. The Knight-Ridder Commodity Researcb Bureau Index of 21 commodities, which tends to reflect ita heavy weighting of grain and soyabean prices, has begun to track the Journal of Commerce index of industrial commoditles, a *basket* of raw *materials that* includes hemp, cardboard cartons, and plywood.

The Goldman Sachs Commodity Index, which has a bias toward oil and other energy products, has been trending higher.

Whether rising commodity prices translate into inflation is another matter, says Mr. Samuel Kahan, chief economist for Fuji Securities. He argues that global competition could act to keep inflation in check.

Because commodities prices have been moving conversely to honds, money managers have begun to view the whole *sector as an attractive* new asset class that offers an inflation hedge and portfolio diver*sification*.

These money managers comprise a new class of deep-pock*eted speculators* in *what have* historically heen relatively small and tightly held markets. Bankers and derivatives hrokers are generating a plethora of new commodity-linked products, and exchange-traded commodity markets are experiencing unprecedented volume rises.

The new commodity speculators tend not have or need a deep understanding of the fundamental supply and demand features of the commodity, and their heot toward technical trading is changing tha rules for *traditional traders*. "What we are seeing are large and unusually active speculators," says Mr Dooald *Mitchell*, a senior ecooomist in the international Trade division of the World Bank and a commodities specialist.

"This is a new demand class for futures, a group of people wbo have no use for the commodity. It could increase the prices of commodities over time, hut It does not mean *there will be a corresponding* increase in final demand. What it does add is price volatility," Mr Mitchell says.

Laurie Morse

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 3 / Sch)

BELGIUM/LUXEMBOURG (Jun 3 / Frs.)

DENMARK (Jun 3 / Kr)

FINLAND (Jun 3 / Mks)

FRANCE (Jun 3 / Frs.)

GERMANY (Jun 3 / Dm.)

ITALY (Jun 3 / Lira)

NETHERLANDS (Jun 3 / Fls.)

NORWAY (Jun 3 / Kroner)

SPAIN (Jun 3 / Pta.)

SWEDEN (Jun 3 / Kronor)

SWITZERLAND (Jun 3 / Frs.)

PACIFIC

JAPAN (Jun 3 / Yen)

AUSTRALIA (Jun 3 / Aust$)

HONG KONG (Jun 3 / H.K.$)

MALAYSIA (Jun 3 / MYR)

SINGAPORE (Jun 3 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 3 / Can $)

4 pm close

MONTREAL (Jun 3 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jun 3 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). ¤ Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and also your post code.

■ TOKYO - MOST ACTIVE STOCKS: Friday, June 3, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	11.5m	408	-11	Fuji Heavy	4.9m	454	+9
Oki Electric	9.2m	690	+9	Fujitsu	4.5m	1110	-10
M'bishi Hvy	7.0m	766	-6	Nippon Steel	4.5m	364	-9
Hitachi	5.6m	1090	+10	Kawasaki Hvy	4.2m	472	+2
Mitsui Osk	5.2m	448	+9	Toray Ind	4.0m	730	-2

INDICES

US INDICES

Dow Jones	Jun 3	Jun 2	Jun 1	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3772.22	3758.93	3760.63	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.76	97.65	97.59	105.61 (21/1)	96.43 (13/5)	109.77 (15/10/93)	54.99 (1/10/81)
Transport	1618.41	1619.90	1627.46	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	187.06	185.74	186.26	227.06 (3/1)	177.78 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3792.22 (3791.60) Low 3732.52 (3732.88) (Theoretical♦)
Day's high 3775.60 (3770.08) Low 3742.99 (3753.45) (Actual♦)

Standard and Poors	Jun 3	Jun 2	Jun 1	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	460.13	457.65	457.63	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	535.84	532.88	532.60	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	46.42	46.21	46.19	48.88 (31/1)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.34	252.65	252.65	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	441.84	440.53	439.96	487.89 (2/2)	427.50 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	742.36	739.51	735.52	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 27	May 20	May 13	Year ago
Dow Jones Ind. Div. Yield	2.69	2.69	2.76	2.90
	Jun 1	May 25	May 18	Year ago
S & P Ind. Div. yield	2.47	2.46	2.48	2.46
S & P Ind. P/E ratio	23.41	23.41	24.06	25.90

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	457.90	460.15	+2.55	461.55	455.60	55,180	177,013
Sep	459.30	462.40	+2.50	463.75	457.80	13,573	49,726
Dec	-	465.05	+2.50	466.50	460.65	252	8,244

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
K Mart	4,624,900	[illegible]	[illegible]
Gen Motors	4,217,300	[illegible]	[illegible]
Smech Lom	4,072,000	[illegible]	[illegible]
Lehman Bros	3,326,100	16	[illegible]
Wal-Mart	3,267,300	[illegible]	[illegible]
Citicorp	2,976,500	40	[illegible]
Telefonos	2,978,000	[illegible]	+1
JC Penney	2,791,500	[illegible]	[illegible]
Merck	2,734,800	31	[illegible]
Philip Morris	2,658,300	[illegible]	[illegible]

■ TRADING ACTIVITY

● Volume (million)

	Jun 3	Jun 2	Jun 1
New York SE	279.381	271.110	278.475
Amex	18.200	14.917	13.740
NASDAQ	(u)	297.818	300.343
NYSE			
Issues Traded	2,816	2,817	2,796
Rises	1,340	1,275	1,178
Falls	779	868	928
Unchanged	697	674	683
New Highs	37	47	39
New Lows	37	39	46

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Open interest figures for previous day.

** Sat May 28: Taiwan Weighted Price 5671.70; Korea Comp Ex 951.96. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 3 - 2156.88 +36.65

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

For Royal Trust see Royal Bank of Canada

Schroder Mngt Services (Jersey) Ltd

Schroder Money Funds Ltd

Seringeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Mercury International Inv Tst Ltd

Worldinvest (Managers) Jersey Ltd

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Fleming Group (u)

Fleming Flagship Fund (daily dealing)

Foreign & Colonial Emerging Markets Ltd (u)

Frontrunner I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

Thornton Investment Management Ltd

S.G. Warburg Asset Mngmt Lux SA

LUXEMBOURG (REGULATED)(**)

Global Funds Management S.A. (u)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Unico Financial Services SA Lux

Enigma Investments Ltd – Cayman

Jardine Fleming Unit Trusts Ltd – Contd.

Putnam Emphasis Funds Ltd

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jun 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5971	+0.1175	888 - 055	17.6278	17.4348	17.5838	0.3	17.5877	0.2	-	-	114.2
Belgium	(BFr)	51.5819	+0.1561	264 - 974	51.6530	51.2610	51.5769	-0.3	51.5859	-0.2	51.4269	0.3	115.2
Denmark	(DKr)	9.8217	+0.0153	149 - 284	9.8425	9.7925	9.8295	-1.0	9.8423	-0.8	9.8433	-0.2	115.4
Finland	(FM)	8.2867	+0.0227	790 - 984	8.3090	8.2480	-	-	-	-	-	-	80.7
France	(FFr)	8.5533	+0.0245	476 - 589	8.5807	8.5149	8.5578	-0.6	8.5619	-0.4	8.5298	0.3	108.3
Germany	(DM)	2.5074	+0.0097	060 - 088	2.5090	2.4932	2.5078	-0.2	2.5078	-0.1	2.4885	0.8	123.6
Greece	(Dr)	375.172	+2.139	395 - 949	376.136	373.052	-	-	-	-	-	-	-
Ireland	(I£)	1.0239	-0.0005	229 - 249	1.0267	1.0218	1.0244	-0.6	1.0256	-0.7	1.0274	-0.3	104.3
Italy	(L)	2436.18	+20.28	425 - 810	2440.37	2418.88	2441.78	-2.8	2451.23	-2.5	2483.06	-1.9	77.3
Luxembourg	(LFr)	51.5819	+0.1561	264 - 974	51.6530	51.2610	51.5769	-0.3	51.5859	-0.2	51.4269	0.3	115.2
Netherlands	(Fl)	2.8093	+0.0098	068 - 099	2.8116	2.7958	2.808	0.1	2.8088	-0.1	2.7884	0.8	118.9
Norway	(NKr)	10.8596	+0.0325	542 - 629	10.8579	10.7988	10.8529	0.6	10.8655	-0.3	10.8598	0.0	95.7
Portugal	(Es)	259.920	+0.165	625 - 215	260.300	259.324	260.895	-4.5	262.84	-4.5	-	-	-
Spain	(Pta)	206.358	+0.178	161 - 581	206.686	205.916	206.861	-2.9	207.741	-2.7	210.246	-1.8	85.0
Sweden	(SKr)	11.8553	-0.0214	465 - 641	11.9140	11.8455	11.8793	-2.3	11.9133	-2.0	12.0113	-1.3	75.8
Switzerland	(SFr)	2.1283	+0.0057	269 - 298	2.1300	2.1173	2.1269	0.8	2.1231	1.0	2.0942	1.6	119.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.2994	+0.0034	987 - 000	1.3008	1.2946	1.301	-1.5	1.2966	0.8	1.2959	0.3	-
SDR†	-	0.934354	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5017	-0.0076	012 - 021	1.5068	1.5009	-	-	-	-	-	-	-
Brazil	(Cr)	2921.23	+35.4	043 - 202	2927.00	2870.00	-	-	-	-	-	-	-
Canada	(C$)	2.0806	-0.0135	799 - 817	2.0925	2.0769	2.0825	-1.0	2.0898	-1.1	2.1048	-1.2	86.9
Mexico	(New Peso)	4.9953	-0.0334	864 - 041	5.0100	4.9855	-	-	-	-	-	-	-
USA	($)	1.5046	-0.0078	042 - 050	1.5103	1.5035	1.5037	0.7	1.5024	0.6	1.497	0.5	65.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0373	-0.0136	360 - 385	2.0499	2.0354	2.0368	0.4	2.035	0.5	2.034	0.2	-
Hong Kong	(HK$)	11.6276	-0.058	237 - 314	11.6686	11.6235	11.6195	0.8	11.6156	0.4	11.6426	-0.1	-
India	(Rs)	47.1974	-0.2466	792 - 156	47.3740	47.1710	-	-	-	-	-	-	-
Japan	(Y)	158.352	-0.344	272 - 431	159.400	158.100	157.932	3.2	157.142	3.1	152.977	3.4	183.9
Malaysia	(M$)	3.8962	-0.0134	944 - 980	3.9086	3.8940	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5311	-0.0161	293 - 328	2.5443	2.5290	2.5304	0.8	2.534	-0.5	2.5405	-0.4	-
Philippines	(Peso)	40.5491	-0.1724	374 - 608	41.1215	40.2346	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6427	-0.0293	408 - 445	5.6538	5.6405	-	-	-	-	-	-	-
Singapore	(S$)	2.3141	-0.0062	127 - 154	2.3181	2.3118	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4553	-0.0313	527 - 579	5.4887	5.4517	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1695	-0.0601	525 - 864	7.2343	7.1475	-	-	-	-	-	-	-
South Korea	(Won)	1212.94	-6.59	254 - 333	1217.75	1212.49	-	-	-	-	-	-	-
Taiwan	(T$)	40.7406	-0.1999	262 - 554	40.9000	40.7100	-	-	-	-	-	-	-
Thailand	(Bt)	37.9611	-0.1619	369 - 862	38.0770	37.9340	-	-	-	-	-	-	-

†SDR rate for Jun 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.6965	+0.138	930 - 980	11.7000	11.6400	11.703	-0.8	11.7065	-0.4	11.6313	0.5	103.3
Belgium	(BFr)	34.2895	+0.28	560 - 840	34.2850	34.0150	34.2995	-1.1	34.3445	-0.9	34.3095	-0.1	104.7
Denmark	(DKr)	6.5278	+0.0436	250 - 305	6.5334	6.4860	6.5368	-1.7	6.5508	-1.4	6.5678	-0.6	104.0
Finland	(FM)	5.5089	+0.0434	039 - 139	5.5145	5.4662	5.5129	-0.9	5.5214	-0.8	5.5374	-0.5	75.7
France	(FFr)	5.6848	+0.0455	826 - 870	5.6895	5.6435	5.691	-1.3	5.6998	-1.1	5.673	0.2	104.9
Germany	(D)	1.6665	+0.016	660 - 670	1.6680	1.6535	1.6677	-0.9	1.6688	-0.6	1.661	0.3	105.2
Greece	(Dr)	249.350	+2.7	900 - 800	249.800	247.300	250.7	-6.6	251.55	-3.5	253.85	-1.8	66.4
Ireland	(I£)	1.4695	-0.0069	685 - 705	1.4757	1.4625	1.4679	1.3	1.465	1.2	1.4584	0.8	-
Italy	(L)	1619.15	+21.75	830 - 000	1620.50	1603.60	1623.6	-3.3	1631.85	-3.1	1657.65	-2.4	78.3
Luxembourg	(LFr)	34.2895	+0.28	550 - 840	34.2850	34.0150	34.2995	-1.1	34.3445	-0.9	34.3095	-0.1	104.7
Netherlands	(Fl)	1.8665	+0.0155	660 - 670	1.8673	1.8538	1.8678	-0.9	1.8691	-0.6	1.8616	0.3	104.4
Norway	(NKr)	7.2169	+0.0587	159 - 179	7.2195	7.1575	7.2224	-0.9	7.2294	-0.7	7.1969	0.3	95.6
Portugal	(Es)	172.750	+1	600 - 900	172.950	172.000	174.155	-9.8	176.15	-7.9	181.1	-4.6	92.3
Spain	(Pta)	137.150	+0.825	050 - 250	137.350	136.490	137.565	-3.6	138.265	-3.3	140.275	-2.3	80.2
Sweden	(SKr)	7.8794	+0.0265	756 - 831	7.9090	7.8520	7.8994	-3.0	7.9294	-2.5	8.0144	-1.7	80.8
Switzerland	(SFr)	1.4145	+0.011	140 - 150	1.4158	1.4033	1.4146	-0.1	1.4132	0.4	1.3974	1.2	104.3
UK	(£)	1.5046	-0.0078	042 - 050	1.5103	1.5035	1.5037	0.7	1.5024	0.6	1.497	0.5	66.9
Ecu	-	1.1580	-0.009	577 - 582	1.1652	1.1576	1.1558	2.2	1.1538	1.5	1.1631	-0.4	-
SDR†	-	1.41592	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	+0.0001	980 - 981	0.9981	0.9977	-	-	-	-	-	-	-
Brazil	(Cr)	1941.53	+33.42	152 - 134	1941.55	1941.30	-	-	-	-	-	-	-
Canada	(C$)	1.3830	-0.0018	827 - 832	1.3861	1.3820	1.385	-1.7	1.3887	-1.6	1.406	-1.7	83.2
Mexico	(New Peso)	3.3200	-0.005	150 - 250	3.3275	3.3150	3.321	-0.4	3.3228	-0.9	3.3302	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3540	-0.0021	535 - 545	1.3585	1.3531	1.3543	-0.3	1.3544	-0.1	1.3581	-0.3	89.9
Hong Kong	(HK$)	7.7280	+0.0015	275 - 285	7.7287	7.7269	7.7275	0.1	7.73	-0.1	7.7442	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	105.245	+0.315	220 - 270	105.400	104.910	105.05	2.2	104.6	2.5	102.02	3.1	144.8
Malaysia	(M$)	2.5895	+0.0045	890 - 900	2.5910	2.5855	2.592	3.6	2.5785	1.7	2.6085	-0.8	-
New Zealand	(NZ$)	1.6822	-0.002	815 - 829	1.6861	1.6809	1.684	-1.8	1.6888	-1.5	1.7103	-1.7	-
Philippines	(Peso)	26.9500	+0.025	500 - 500	27.1500	26.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-	500 - 505	3.7506	3.7500	3.7509	-0.2	3.7529	-0.9	3.7656	-0.4	-
Singapore	(S$)	1.5380	+0.0045	375 - 385	1.5394	1.5339	1.5373	0.6	1.537	0.3	1.539	-0.1	-
S Africa (Com.)	(R)	3.6258	-0.002	250 - 265	3.6385	3.6155	3.6413	-5.1	3.6698	-4.8	3.7463	-3.3	-
S Africa (Fin.)	(R)	4.7650	-0.035	550 - 750	4.7900	4.7550	4.7987	-8.5	4.8575	-7.8	-	-	-
South Korea	(Won)	806.150	-0.2	100 - 200	806.600	806.100	808.18	-4.5	812.65	-3.2	831.15	-3.1	-
Taiwan	(T$)	27.0775	+0.0075	750 - 800	27.1020	27.0790	27.0975	-0.9	27.1375	-0.9	-	-	-
Thailand	(Bt)	25.2300	+0.01	200 - 400	25.2400	25.2200	25.3025	-3.4	25.43	-3.2	25.91	-2.7	-

†SDR rate for Jun 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 2. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.59	4.862	1.986	4725	5.446	21.06	504.1	400.3	23.00	4.127	1.939	4.036	2.919	307.2	2.518
Denmark	(DKr)	52.49	10	8.708	2.552	1.043	2480	2.859	11.06	264.6	210.1	12.07	2.167	1.018	2.119	1.532	161.3	1.323
France	(FFr)	60.28	11.48	10	2.931	1.197	2848	3.283	12.70	303.9	241.3	13.87	2.488	1.169	2.433	1.760	185.2	1.519
Germany	(DM)	20.57	3.918	3.412	1	0.408	971.7	1.120	4.332	103.7	82.33	4.731	0.849	0.399	0.830	0.600	63.16	0.518
Ireland	(I£)	50.35	9.592	8.353	2.448	1	2378	2.742	10.61	253.8	201.6	11.58	2.078	0.977	2.032	1.470	154.7	1.269
Italy	(L)	2.117	0.403	0.351	0.103	0.042	100.	0.118	0.446	10.67	8.473	0.487	0.087	0.041	0.085	0.062	6.502	0.053
Netherlands	(Fl)	18.36	3.496	3.046	0.893	0.365	867.5	1	3.868	92.56	73.50	4.224	0.758	0.356	0.741	0.536	56.41	0.463
Norway	(NKr)	47.48	9.044	7.876	2.308	0.943	2243	2.586	10	239.3	190.1	10.92	1.959	0.921	1.916	1.386	145.8	1.196
Portugal	(Es)	19.84	3.779	3.291	0.965	0.394	937.3	1.080	4.179	100.	79.42	4.563	0.819	0.385	0.801	0.579	60.95	0.500
Spain	(Pta)	24.98	4.759	4.144	1.218	0.496	1180	1.360	5.262	125.9	100.	5.746	1.031	0.484	1.008	0.729	76.74	0.629
Sweden	(SKr)	43.47	8.282	7.212	2.114	0.863	2054	2.368	0.157	219.1	174.0	10	1.794	0.843	1.755	1.269	133.6	1.095
Switzerland	(SFr)	24.23	4.616	4.019	1.178	0.481	1145	1.320	5.100	122.1	96.99	5.573	1	0.470	0.978	0.707	74.44	0.610
UK	(£)	51.56	9.822	8.553	2.507	1.024	2436	2.808	10.86	259.9	206.4	11.86	2.128	1	2.081	1.505	158.4	1.298
Canada	(C$)	24.78	4.720	4.110	1.205	0.492	1171	1.349	5.219	124.9	99.18	5.699	1.023	0.481	1	0.723	76.12	0.624
US	($)	34.26	6.526	5.683	1.666	0.680	1619	1.866	7.216	172.7	137.1	7.880	1.414	0.664	1.383	1	105.2	0.863
Japan	(Y)	325.5	62.01	54.00	15.83	6.466	15379	17.78	68.56	1641	1303	74.87	13.43	6.313	13.14	9.501	1000.	8.201
Ecu		39.69	7.561	6.584	1.930	0.788	1875	2.162	8.360	200.1	158.9	9.130	1.638	0.770	1.602	1.159	121.8	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.6047	0.5981	-0.0054	0.6047	0.5981	54,935	114,477
Sep	0.6030	0.5983	-0.0055	0.6030	0.5972	16,649	22,794
Dec	-	0.5986	-0.0057	0.6008	0.5980	31	350

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ STERLING FUTURES (IMM) £62,500 per £

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

UK INTEREST RATES

LONDON MONEY RATES

Jun 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 4⅝	5 - 4¾	5⅛ - 4$\frac{15}{16}$	5⅜ - 5$\frac{1}{16}$	5½ - 5⅜	6⅛ - 6
Sterling CDs	-	-	5 - 4$\frac{15}{16}$	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5$\frac{9}{16}$ - 5$\frac{7}{16}$	6 - 5$\frac{15}{16}$
Treasury Bills	-	-	4$\frac{13}{16}$ - 4$\frac{3}{4}$	4⅞ - 4$\frac{13}{16}$	-	-
Bank Bills	-	-	4$\frac{15}{16}$ - 4$\frac{7}{8}$	5 - 4$\frac{15}{16}$	5¼ - 5⅛	-
Local authority deps.	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5$\frac{5}{8}$ - 5$\frac{1}{2}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$
Discount Market deps	5½ - 4¾	4$\frac{15}{16}$ - 4$\frac{13}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7981pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Schemes II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 6.222pc. Finance House Base Rate 6½pc from June 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Jun 3	May 27		Jun 3	May 27
Bills on offer	£500m	£500m	Top accepted rate	4.8734%	4.8332%
Total of applications	£1555m	£1735m	Ave. rate of discount	4.8633%	4.7981%
Total allocated	£500m	£500m	Average yield	4.9230%	4.8572%
Min. accepted bid	£98.785	£98.795	Offer at next tender	£500m	£500m

FIXED INTEREST RATES

MONEY RATES

June 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5⅜	5¼	5⅜	5½	5¾	7.40	4.50	-
week ago	5⅜	5⅜	5⅜	5⅜	5¾	7.40	4.50	-
France	5¾	5⅜	5⅜	5⅝	5⅞	5.30	-	5.75
week ago	5⅜	5⅜	5⅝	5⅝	5¾	5.40	-	5.75
Germany	5.18	5.15	5.05	5.10	5.13	6.00	4.50	5.20
week ago	5.00	5.15	5.08	5.08	5.13	6.00	4.50	5.20
Ireland	5⅜	5⅜	5⅜	5¾	6⅛	-	-	6.25
week ago	5⅜	5⅜	5⅜	5¾	6⅛	-	-	6.25
Italy	7¾	7⅞	7⅞	7¾	8⅛	-	7.00	7.60
week ago	7¾	7⅞	7⅞	7¾	8	-	7.00	7.55
Netherlands	5.18	5.13	5.13	5.18	5.28	-	5.25	-
week ago	5.18	5.13	5.18	5.18	5.22	-	5.25	-
Switzerland	4¼	4⅛	4⅛	4½	4⅜	6.625	3.50	-
week ago	4¼	4⅛	4¼	4¼	4⅜	6.625	3.50	-
US	4⅜	4⅜	4⅜	4⅞	5¼	-	3.50	-
week ago	4¼	4⅜	4⅜	4¾	5⅛	-	3.50	-
Japan	2⅛	2¼	2⅛	2¼	2½	-	1.75	-
week ago	2	2¼	2¼	2⅛	2¼	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4¼	4¾	4⅞	5⅜	-	-	-
week ago	-	4¼	4¾	5	5½	-	-	-
US Dollar CDs	-	4.16	4.40	4.75	5.33	-	-	-
week ago	-	4.16	4.42	4.79	5.35	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5¾; 6 mths: 5¾; 1 year: 5¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½	5½ - 5⅜	5⅝ - 5½
Danish Krone	6 - 5¾	6 - 5½	6 - 5¾	6⅛ - 5$\frac{15}{16}$	6⅜ - 6⅛	6½ - 6¼
D-Mark	5¼ - 5$\frac{1}{16}$	5¼ - 5$\frac{1}{16}$	5¼ - 5$\frac{1}{16}$	5¼ - 5$\frac{1}{16}$	5¼ - 5$\frac{1}{16}$	5⅜ - 5¼
Dutch Guilder	5$\frac{5}{16}$ - 5$\frac{1}{16}$	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
French Franc	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5¾ - 5⅝	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5$\frac{15}{16}$ - 5$\frac{13}{16}$
Portuguese Esc.	14½ - 13½	14½ - 13½	15½ - 14½	14½ - 13½	13 - 12	11¾ - 10¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.09	94.18	+0.11	94.21	93.92	173,605	403,478

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.75	95.75	+0.04	95.78	95.70	2,980	12,321
Sep	95.18	95.23	+0.11	95.24	95.04	370	15,874
Dec	94.89	94.74	+0.12	94.74	94.49	195	7,188

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday June 1, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	255,769,856	-659,199,994
Bankers deposits	1,670,143,894	+144,098,961
Reserve and other accounts	2,932,371,200	+108,647,605
	4,872,837,952	-406,453,428
Assets		
Government securities	1,020,982,429	+17,760,000
Advance and other accounts	2,563,963,559	+543,539,299
Premises, equipment and other secs	1,281,662,713	-966,316,183
Notes	6,066,359	-1,422,618
Coin	162,892	-7,896
	4,872,837,952	-406,453,428
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,253,933,641	+291,422,616
Notes in Banking Department	6,066,359	-1,422,618
	18,260,000,000	+290,000,000
Assets		
Government debt	11,015,100	
Other Government securities	14,740,918,790	-1,183,990,533
Other Securities	3,508,066,110	+1,473,990,533
	18,260,000,000	+290,000,000

UK GILTS PRICES

STOCK INDICES

BASE LENDING RATES

FIXED INTEREST STOCKS

FT GOLD MINES INDEX

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£22¼	2.9	Q61%	ϕ	Sep May	1.6	–
ANZ A$		205	–1.1	Q20c	0.7	Jan Jul	9.12	–
Abbey National	N□	416	0.1	14.0	2.1	May Oct	14.3	6411
Allied Irish I£	$N□	243	—	Q52%	2.7	Oct May	28.2	1354
Anglo Irish I£	MN□	82	2.0	Q17.5%	1.7	Jan Jul	29.11	1355
[illegible] Y		739¼	–2.2	Q14%	ϕ	Jan Dec	12.92	[illegible]
Banco Bil Viz Pts		[illegible]	–4.3	Q22.2%	2.7	JyOcJaAp	13.7	–
Banco Sant Pts		[illegible]	[illegible]	[illegible]	ϕ	[illegible]	30.10	–
Bk Ireland I£	$□	[illegible]	—	Q14%	ϕ	Jul Dec	16.5	[illegible]
Bank Scotland	$N□	[illegible]	2.4	5.05	2.4	Dec Jul	10.5	[illegible]
9¼pc Pf		116½	–.2	9¼%	–	May Nov	25.4	[illegible]
9¾pc Pf		122¼	0.2	9¾%	–	May Nov	25.4	[illegible]
Barclays	$N□	[illegible]	5.9	[illegible]	1.8	Oct May	14.3	[illegible]
[illegible] Y		[illegible]	–3.4	[illegible]	2.2	Jan Dec	27.9	–
Deutsche DM		[illegible]	0.5	[illegible]	–	May	5.93	–
Espirito Santo		[illegible]	3.7	Q120c	3.2	Jan	4.6	[illegible]
First Nat Fin	N□	74	—	1.5	–	Mar	17.1	[illegible]
6.3pc Cv Pf		93	—	6.3%	–	Jul Jan	4.1	[illegible]
7pc Cv Pf		145	—	7.0	–	Jul Jan	4.1	[illegible]
[illegible] Bank Y		[illegible]	–4.0	Q17%	ϕ	Dec Jan	4.7	–
HSBC HK	N□	[illegible]	–1.7	23.5	2.2	Nov Jun	14.0	[illegible]
HSBC (75p Shs)	N□	[illegible]	–1.4	23.5	2.3	Nov Jun	14.3	[illegible]
Lloyds	N□	[illegible]	3.7	22.1	2.1	Oct May	14.2	[illegible]
[illegible] Y		[illegible]	–4.1	Q17%	ϕ	Jan Dec	12.92	–
[illegible]		[illegible]	4.3	[illegible]	12.4	Jan Dec	12.92	–
[illegible]		[illegible]	2.2	Q17%	[illegible]	Jan Dec	12.92	–
Nat Aust A$	†	[illegible]	[illegible]	[illegible]	1.7	Jul Jan	9.6	–
NatWest	N□	[illegible]	6.8	18.5	2.1	Oct May	28.2	[illegible]
Ottomans FFr		[illegible]	—	[illegible]	ϕ	May	25.5	–
Ryl Bk Scotland	[illegible]	[illegible]	–1.5	12.0	1.9	Feb Jul	10.5	[illegible]
[illegible] Y		[illegible]	–3.9	Q17%	3.0	Dec Jun	12.92	–
[illegible] Y		[illegible]	–2.3	[illegible]	ϕ	Jan Dec	12.92	–
Standard Chartd	N□	240	3.9	0.5	3.2	Jan Oct	14.3	[illegible]
7 3/8pc Pf		[illegible]	1.1	7.37	–	Apr	14.2	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Royal Bk Can		13⅜	-1.3	$1.16	MrJnSeDe	20.4	1180
TVX Gold	♥	432½p	1.9	-	-	-	-
Toronto-Dom		10⅞	-1.2	80c	JaApAuNv	14.3	1207
Trans Can Pipe	♥	9⅞	6.5	84c	JaApJyOc	1.12	-

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28½	—	Q375c	1.9	Oct Apr	3'93	-
Barlow		95⅞	4.9	Q173c	1.7	Jan Jul	13.12	-
Gold Flds Prop R		181	—	050c	1.2	-	31.1	-
NK Props	s	90	—	044.7c	6.5	Feb Oct	10.10	-
SASOL	♥	343	1.8	078c	-	Oct	23.9	3919
SA Brews		£13⅝xd	0.7	Q138c	2.2	Dec Jun	30.5	-
Tiger Oats	†	888	—	085c	2.9	Jul Feb	29.11	-
Tongaat-Hulett	†	691	6.8	076c	2.4	Feb Aug	4.1	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "max/nmax" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ *Figures or report awaited*
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ *Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.*
- ♦ *Merger bid or reorganisation in progress*
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend *after scrip issue.* m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. *u Forecast, or estimated* annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. *F Dividend based on* prospectus or other official estimates for 1994-95. *G Assumed dividend after pending scrip and/ or rights issue.* H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. *M Dividend based on* prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. *R Forecast annualised* dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Intl Biotech & Wrts, Templeton Latin A Wrts (Inv Tsts), Hazlewa (Rtet Gen), GRT Bus, Go-Ahead (Trans). Deletions: Pilot Inv C, Mexico Fund (Inv Tsts), In Shops (Prop), Magellan (Text).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any *company annotated with ♣ . Please quote the code* FT7285. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside *the UK, ring +44 81 770 0770 or fax +44 81 770 3822.* Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on *0336 43 or 0891 43 followed by the four-digit code listed* after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close June 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17 3/8	14 1/8	AAR	0.48	3.3	478	236	14 1/2	14 3/8	14 3/8	-1/8
16 7/8	13 3/4	A L Labs A	0.10	1.3	33	242	14 5/8	14 3/4	14 1/4	-1/8
68	57 5/8	AMP	1.68	2.6	27	1085	64 1/2	64	64 3/8	+1/8
72 3/4	52 1/8	AMR			28	2244	57 1/2	56 3/4	56 3/4	
5	3 5/8	ARX			15	116	4 3/8	4 1/4	4 3/8	
50 1/8	38 5/8	ASA	2.00	4.7	27	367	42 5/8	42 1/2	42 1/4	-1/2
31 1/8	25 3/4	Abbott L	0.76	2.4	16	6977	u31 3/8	30 5/8	31 1/2	+1/8
13 3/4	11 5/8	Abitibi Pr	0.50	4.0	9	35	12 3/4	12 3/4	13 1/2	+1/4
13 3/8	11 1/2	Acptocain			23	23	12 1/2	12 1/2	12 1/2	+1/8
21	24 1/2	ACE Ltd	0.44	1.6	4	673	27	26 5/8	26 3/8	+1/8
12 1/2	10 1/8	ACM Gvt In x	1.08	8.8		792	11 1/4	11	11 1/8	+1/8
10 1/8	7 7/8	ACM GvOpp x	0.80	0.1		68	8 3/4	8 3/8	8 3/4	+1/8
10 5/8	8 3/8	ACM Gvt Sp x	0.06	11.3		184	8 1/2	d8 3/8	8 1/2	
13	9 7/8	ACM Gvt Se x	1.09	10.7		646	10 1/4	10	10 1/4	+1/8
11 3/4	8 3/4	ACM Man x	1.00	11.4		571	9 1/2	9 1/8	9 1/2	+1/4
6 1/4	8	ACM Managd x	0.72	8.8		172	8 1/2	8 3/8	8 3/8	
15 1/2	8 3/4	AcmeCLv	0.44	4.1	13	46	11 1/4	10 3/4	10 3/4	-1/2
9 3/4	6 5/8	Acme Elect			6	116	6 7/8	6 3/8	6 5/8	-1/8
20 1/4	35	Acordia x	0.60	2.1	14	19	28 1/2	28 1/4	28 1/4	+1/2
9 3/8	6 3/4	Actava	0.60	4.1	2	656	8 7/8	8 5/8	8 7/8	+1/8
16 5/8	11 3/4	Acuson			112	252	14 3/4	14 5/8	14 5/8	-1/8
18 3/8	16 1/2	Adams Expr	0.48	2.8	0	238	17 1/4	17	17 1/4	+1/8
64	46 1/2	Ad Micro x	3.00	5.2		149	59 3/8	58	58	-1
21 1/4	16 3/4	AdvMic	0.60	10.0	13	6044	29 5/8	28 1/4	28 1/4	-7/8
6 7/8	6	Advest Grp	0.10	2.8	6	12	6 5/8	5 1/2	6 5/8	
20	16 1/8	Adviro Inc	0.16	0.6	116	616	17 1/8	17	17	-1/4
57 1/4	49 3/8	Aegon ADR	2.95	5.6	11	57	52 3/4	51 1/4	52 3/4	+1

Continued on next page

NYSE COMPOSITE PRICES

4 pm close June 3

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close June 3

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	21	4	16¾	16	15¾	
ACC Corp	0.12	67	682	17	16	16¾	-⅜
Acclaim E		25	14380	18⅛	17⅞	18	
Acme Mills		18	160	23⅛	22¾	22½	-1
Acxiom Cp		29	38	20½	20¼	20½	
Adaptech		17	10017	18⅞	18⅛	18¾	
ADC Tele		35	5260	43	42¾	42⅞	-¼
Addington		26	47	15	15	15	-¼
Adia Serv x	0.16	32	14	37	36⅝	37	
Adobe Sys	0.20	23	4831	29¾	28¼	28¾	
Advance C		8	1006	12⅛	11¾	12	-⅛
Adv Logic		6	46	4¾	4½	4¾	
Adv Polym		7	64	5½	5	5½	+⅛
AdvTchLab		20	94	15	14½	15	
Advanta x	0.20	20	1328	39½	38½	39⅞	+⅛
Affymax		8	518	12	11½	11⅞	+⅛
Agency Re		23	1518	14	13⅞	13⅝	-⅛
AgnicoEa	0.10	127	1156	11¾	11⅜	11½	-⅛
AirExpr	0.30	14	216	21⅝	21¼	21¼	
Akzo ADR	2.24	18	890	55⅞	55	55⅛	+⅛
Aldus Cp		39	1632	28⅝	27⅝	27¾	-¾
AlexBld	0.88	17	665	25½	25	25½	
Allegh &W		14	22	7¾	7⅜	7⅜	-⅜

[illegible]

AMEX COMPOSITE PRICES

4 pm close June 3

[illegible]

FT GUIDE TO THE WEEK

6 MONDAY

UN considers North Korea

UN Security Council members in New York this week continue consultations on a response, including possible economic sanctions, to the nuclear dispute with North Korea. The council may give Pyongyang a deadline to open its nuclear facilities to full international inspection or face sanctions.

German-Spanish consultations take place in the oorth German town of Schwerin. Germany's chancellor Helmut Kohl will no doubt be seeking support from Spanish prime minister Felipe Gonzalez for the candidacy of Jean Luc Dehaene as president of the European Commission. The Spanish premier may urge more caution from Germany oo opening the EU to the states of eastern Europe.

Latvia's foreign minister Mr Georgs Andrejevs is expected to step down after admitting collaboration with the Soviet KGB before the republic gained independence. Another four cabinet ministers, plus Latvia's president, have been accused of such links.

OAU meeting: A ministerial meeting takes place in Tunis this week ahead of a summit there attended by South Africa's President Nelson Mandela. South Africa recently became the 53rd member of the organisation.

International bankers gather in London for the three-day International Monetary Conference. The heads of 103 of the largest banks in the world today discuss banking in the world economy and the growth of financial derivatives. Wednesday sees a discussion among senior central bankers including Alan Greenspan, chairman of the Federal Reserve.

UK accountants: Britain's largest six accountancy firms publish their latest fee income figures and staff numbers. The information will give an indication of whether they are recovering after the recession – they persistently refuse to give details of profits.

D-Day anniversary: Celebrations of the Allied invasion of occupied Europe in 1944 reach their climax with a ceremony on Omaha Beach in Normandy.

Chess:

The Intel world championship quarter finals open at New York's Trump Tower (to June 18). Britain's Nigel Short and Michael Adams are favourites to defeat Boris Gulko (US) and Sergei Tiviakov (Russia).

FT Survey: Canada.

Holidays: Ireland, New Zealand, Poland, South Korea, Venezuela.

7 TUESDAY

OECD ponders joblessness

The annual ministerial meeting of the Organisation for Economic Co-operation and Development, the rich countries' club, takes place in Paris today and tomorrow. With 35m unemployed in the industrial world, jobs will be topping the agenda.

The OECD secretariat has spent two years producing a study containing 57 detailed recommendations intended to form the basis of tailor-made programmes for tackling unemployment in the 25 member states.

An American in Paris: US President Bill Clinton, fresh from the D-Day celebrations, holds talks with French leaders and addresses the French National Assembly.

German economy: First-quarter figures for gross domestic product should confirm the gradual revival of the German economy. The markets expect to see that GDP rose by 0.5 per cent, after falling by 0.7 per cent in the last quarter of 1993. However, May's unemployment figures, also released today, are expected to show little drop in unemployment levels, highlighting the poor economic background for German consumers.

ILO meeting: The International Labour Organisation starts its celebratory 75th annual conference in Geneva. It will debate an agenda drawn up by Michel Hansenne, its director-general, calling for "social justice in a global economy". The ILO is under pressure to become a more focused and high-profile body now the Cold War is over and its activities are not dominated by the US-Soviet struggle.

Lloyd's of London: Derek Walker, leading underwriter for loss-making syndicates formerly managed by the Gooda Walker group, is scheduled to give evidence today when proceedings in a case brought by 3,095 Lloyd's Names resume in the high court.

The Names, individuals whose assets support the insurance market, are claiming some £600m in compensation from their agents, alleging negligence. The losses were incurred between 1987 and 1990 and the case began in April.

Italian corruption: The former health minister Francesco De Lorenzo, who is already serving a prison sentence for his part in the country's corruption scandal, is due to stand trial for alleged corruption in connection with the building of car parks.

Ferruzzi fire sale: A three-day sale begins at Sotheby's Milan of the artworks, furniture and objets held in the corporate collection of the Ferruzzi-Montedison group, Italy's second largest private empire which collapsed last June. The 650 items are being sold to raise money to pay off Ferruzzi-Montedison debts.

FT Survey: Danish Food Industry.

Holidays: Malta.

8 WEDNESDAY

Youth celebrates amity

Germany's Chancellor Helmut Kohl, 64 (top in picture), will welcome France's President François Mitterrand, 77, to Heidelberg for a European youth festival, intended to counteract any impression of lingering national antagonism generated by the D-Day celebrations.

The avowed aim is to encourage greater contacts among Europe's youth. There will be French and German pop music in the open air, and lots of photo-opportunities for TV cameras.

Russia's government signs a co-operation agreement with the Paris-based Organisation for Economic Co-operation and Development that should promote the flow of western economic expertise.

Also parliament is expected to examine the 1994 budget for final approval after much delay and strident demands from many deputies for big increases in defence spending.

UK economy: The release of UK industrial production figures today are expected to show that UK output bounced back in April, after weakening slightly in March. Analysts predict that output will have risen by 0.5 per cent in April, month on month. This would tally with other recent business surveys which have all reported rising business confidence and output.

US President Bill Clinton receives an honorary doctorate of law at Oxford University.

Euro Disney, operator of the struggling theme park outside Paris, holds an extraordinary general meeting for shareholders to approve its proposed FFr13bn ($2.27bn) rescue package. It will also announce the terms of a FFr6bn rights issue. There will be good news to discuss following last week's surprise announcement that a Saudi Arabian prince plans to buy a stake in the company of up to 24 per cent.

Think-in: Kyoto hosts a two-day International Forum on the Wisdom of Humanity. It will be addressed by seven wise men including former UK prime minister Sir Edward Heath.

FT Survey: New Zealand.

9 THURSDAY

European elections begin

Elections to the European parliament in Strasbourg open with voting in Denmark, the Netherlands, Ireland and the UK. The results will be declared from Sunday night, when counting starts after polling closes in the other eight countries, and will decide the make-up of the 567-seat body that now plays a significant role in European Union decision-making.

The election will also give important pointers to the outcome of political leadership contests and forthcoming elections in a number of member states, led by Germany, UK, France and Spain. Additionally, the score polled by anti-Maastricht protest parties – particularly in Germany and France – will be closely watched.

UK by-elections: Five by-elections are timed to coincide with voting for the European parliament. Four are in safe Labour seats in East London and Bradford, but the Liberal Democrats are expected to win Eastleigh, Hampshire, from the Conservative government.

Nato and Russia

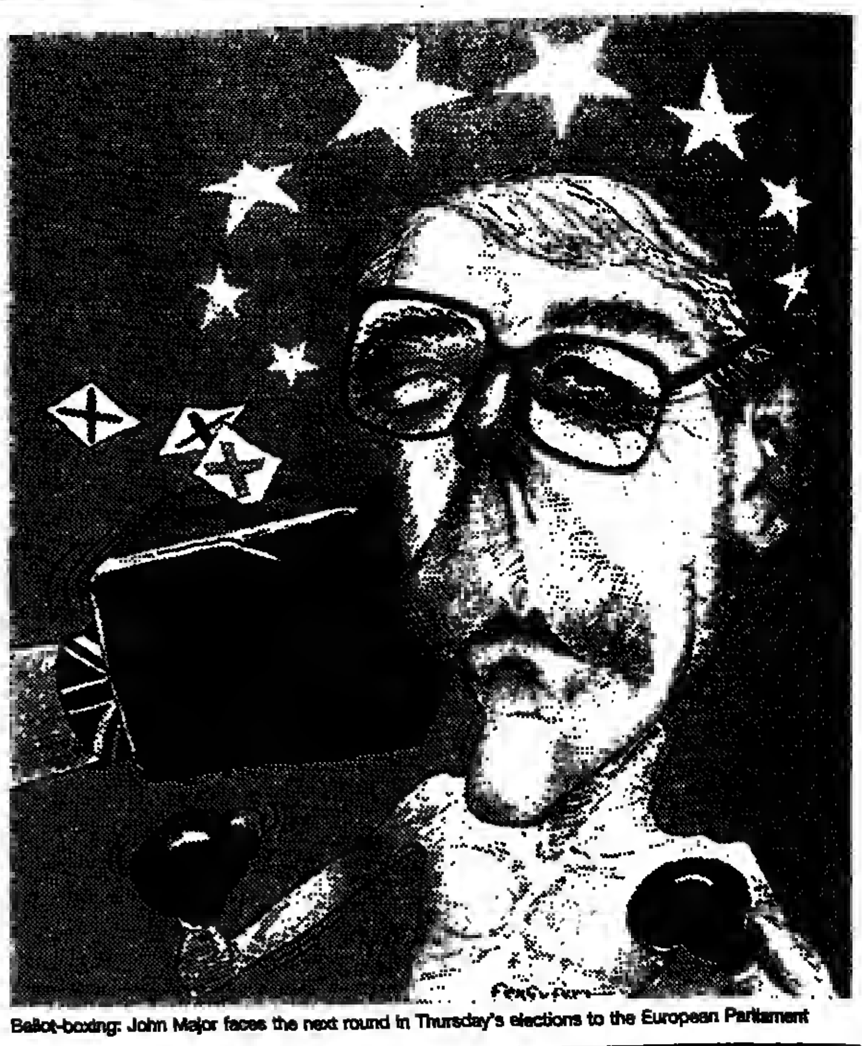
Nato foreign ministers begin a two-day meeting in Istanbul to consider Moscow's request for a formal statement that would acknowledge Russia's political and military importance. Russia is also asking for a high-level dialogue with Nato on nuclear and other security issues, prompting fears in central Europe that Moscow will acquire a virtual veto on alliance policy.

A southern African summit, sponsored by the Geneva-based World Economic Forum, takes place in Cape Town today and tomorrow. It brings together 280 international businessmen and prominent African and South African leaders to discuss the future economy of southern Africa after momentous political change in the largest regional economy, South Africa.

Pakistan budget: Benazir Bhutto's government is due to present the first budget of the prime minister's second term in office. Interest will focus on how well the government is controlling spending, given the competing demands of high military expenditure, debt repayments and measures to improve education and welfare.

Saleroom: Two 18th century carpets are the highlights of a series of sales at Christie's in London devoted to French art. One was woven at the Royal Savonnerie factory and could sell for £500,000; the other, from Aubusson, has a £300,000 forecast. Napoleon's travelling dental set, in a gilt box, is also on offer at up to £30,000.

Holidays: Bolivia.



Ballot-boxing: John Major faces the next round in Thursday's elections to the European Parliament

10 FRIDAY

Leader of UK Labour party

Formal nominations open for an election to succeed the late John Smith as leader of Britain's opposition Labour party.

Tony Blair, 41-year-old leader of the party's social democratic "modernising" faction, is runaway favourite but may be challenged by John Prescott, a more traditional socialist, Margaret Beckett, acting leader, or Robin Cook, shadow trade and industry secretary. The result is due on July 21.

Europe's air traffic control system is to be reviewed at a meeting of transport ministers of 32 European countries in Copenhagen.

Japan's Emperor Akihito and Empress Michiko start a two-week visit to the US at the invitation of President Bill Clinton, the first there by a Japanese emperor for 19 years.

The Aldeburgh Festival, one of the UK's leading music festivals, begins (to June 26).

Holidays: Algeria, Bahrain, Kuwait, Lebanon, Morocco, Portugal, Tunisia, United Arab Emirates.

11-12 WEEKEND

Polls close in Europe

On Sunday, the eight European Union members who did not vote on Thursday hold their elections for the European Parliament.

Germany is also holding local elections on Sunday in Baden-Württemberg, Mecklenburg-Vorpommern, Rhineland-Palatinate, Saarland, Saxony, Saxony-Anhalt and Thuringia.

Luxembourgers also vote in a general election on Sunday.

Alpine referendums: Austrians vote on European Union membership on Sunday. Opinion polls indicate a close call.

Swiss voters look set to snub international institutions once again, when a majority will probably frustrate the government's wish to supply "blue helmet" troops for United Nations peacekeeping operations.

Rugby: England play South Africa in the second test in Cape Town on Saturday.

Motor racing: The Canadian Grand Prix is in Montreal on Sunday.

Compiled by Patrick Stiles and Jane Crust. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

As OECD ministers gather in Paris for their annual meeting, Japan is set to be a key market focus, witb the Tankan survey due to be released at the end of the week and the Japanese parliameot expected finally to approve the 1994 fiscal budget.

Tuesday: US consumer credit figures should show thet US consumer confideoce remains high.

Thursday: The Bundesbank council meets, with the markets pessimistic about the likelihood of further German rate cuts. Although the gross domestic product figures, released oo Tuesday, are expected to show that the German recession has bottomed out, this week's retail sales figures may indicate that the receot pick-op in consumption remains fragile.

Meanwhile, Frencb output figures are expected to show a small rise in industrial production.

Friday: The Bank of Japan's quarterly Tankan survey will be scrutinised for signs that tbe worst of the Japanese recession is over. The previous survey in February showed low business confideoce and tougb financial conditions. This one, however, is expected to be more upbeat.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Apr consumer credit	£350m	£518m
June 6	Aus'lia	May ANZ job ads	-	1.8%
Tue	US	Apr wholesale trade	-	1.3%
June 7	US	Apr consumer credit	$5.6bn	$7.4bn
	US	Johnson Redbook, June 4	-	-2.6
	Germany	1st qtr GDP (Western)***	0.5%	-0.7%
	Germany	May unemployment, West†	17,000	16,000
	Germany	Apr employment, West†	-25,000	-25,000
	Germany	May vacancies, West	-	-3,000
	Germany	May unemployment, East	-20,000	-44,000
Wed	UK	Apr manufacturing output*	0.5%	-0.5%
June 8	UK	Apr manufacturing output**	2.1%	1.7%
	UK	Apr industrial production*	0.4%	-0.6%
	UK	Apr housing starts	-	15,600
	Canada	May housing starts, units	-	158,000
Thur	US	Initial claims, w/e June 4	360,000	362,000
June 9	US	State benefits, w/e May 28	-	2.82m
	US	1994 real capital spending	-	9.8%
	US	M1, w/e May 30	-$3bn	$0.7bn
	US	M2, w/e May 30	-$6.8bn	$4.6bn
	US	M3 w/e May 30	-$10bn	$4.5bn
	France	Mar industrial production*†	0.4	0.6%
	France	Mar manufacturing production*†	0.4%	0.8%
	Canada	Apr motor vehicle sales*	-	-0.4%
	Canada	May help wanted index†	-	94

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	May producer prices index	0.2%	-0.1%
June 10	US	Ditto, excl food & energy	0.3%	0.1%
	US	May bank credit	-	10.4%
	US	May commercial & indust loans	-	13.8%
	Japan	May Bank of Japan Tankan	-	n/a
	Japan	May Bank of Japan Tankan DI, manf	-54	-56
	Japan	Ditto, non-manf	-44	-46
	Japan	1994 Tankan capital spending	-4.3%	-4.5%
	France	May consumer prices indx, prel*	0.2%	0.3%
	France	May consumer prices indx, prel**	1.6%	1.7%
	UK	Mar visible trade, global	-£0.9bn	-£0.73bn
	Canada	May unemployment rate	-	11%
	Canada	1st qtr real GDP	-	3.8%
During the week...				
	Japan	May Bank of Japan bank data	-	n/a
	Germany	Apr manufacturing orders*	0.7%	2.9%
	Germany	May final cost of living*	-	0.2%
	Germany	May final cost of living**	-	3.1%
	Germany	Apr retail sales, West**	0.2%	2%
	Germany	Apr retail sales, Pan-German**	-1%	2%
	France	Apr M3*	-	-0.6%
	N'lands	Apr retail sales volume**	-	2%
	N'lands	May consumer prices index**	2.9%	2.8%
	Switz'd	May unemployment rate	4.9%	4.9%

*month on month, **year on yr, ***qtr on qtr, †seas adj. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

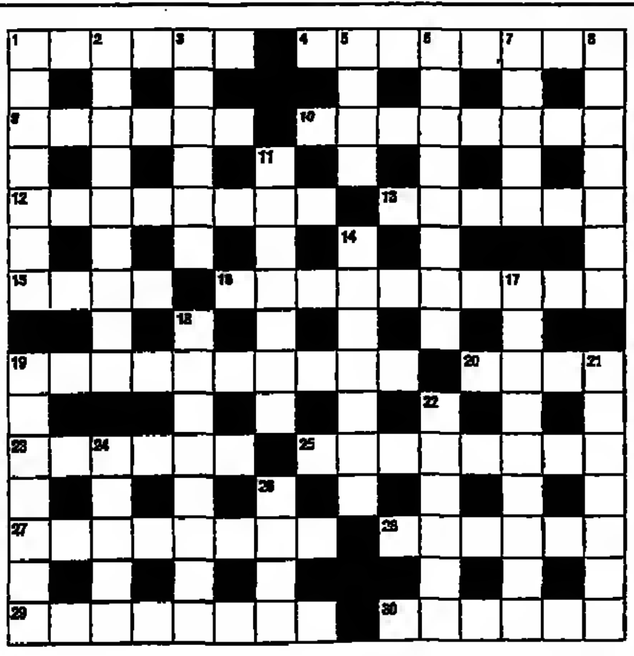
No.8,472 Set by DANTE

ACROSS

1 Badly criticised, having performed over the music (6)
4 Decoration for the brave perhaps (3-5)
9 Cyril's odd odes (6)
10 Sulky demeanour (8)
12 Right-o, darling! (4,4)
13 Put right in the picture (6)
15 Spot a weak type (4)
18 It brings a lump to one's throat (5,5)
19 Appears to accept poetry of acceptable quality (10)
20 Almost lost to charity (4)
23 Welcome break for a prisoner? (8)
25 Uniformed footmen (8)
27 Took off (8)
28 Sailor retorns with broken boom, it's hollow stemmed (6)
29 Engaged on light duty off and on (8)
30 Move fast after take-off (6)

DOWN

1 King in great spirits when told (7)
2 Piggy is holding up another animal (9)
3 Does well, getting about ninety fish (6)
5 The first man to be a father – and a mother (4)
6 It may be paternal – or not (8)
7 Cross one river, accompanied by goddess (5)
8 Lawrence has oew heart implanted in surgery (7)
11 I'd fill in the result – it's obvious (7)
14 An offence in a fool or comic (7)
17 Friend with a restaurant reservatioo no doubt hopes the food will be (9)
18 Careless example of hit and run (8)
19 Star role in Westerns (7)
21 Bashful rugby player shows character (7)
22 Empty one cootainer into another (6)
24 Country requiring careful handling (5)
26 Near average (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday June 16, marked Monday Crossword 8,472 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 20.

Name..

Address..

Winners 8,460

Mrs P. Sharp, Edinburgh
Ms V. Law, Faringdon, Oxfordshire
S.J. Meredith, Redditch, Worcs
Mrs C. O'Keeffe, London NW3
M. Wilson, London N1
P.J.R. Wright, Wistaston, Cheshire

Solution 8,460